This is a digital copy of a book that was preserved for generations on library shelves before it was carefully scanned by Google as part of a project to make the world's books discoverable online.

It has survived long enough for the copyright to expire and the book to enter the public domain. A public domain book is one that was never subject to copyright or whose legal copyright term has expired. Whether a book is in the public domain may vary country to country. Public domain books are our gateways to the past, representing a wealth of history, culture and knowledge that's often difficult to discover.

Marks, notations and other marginalia present in the original volume will appear in this file - a reminder of this book's long journey from the publisher to a library and finally to you.

Usage guidelines

Google is proud to partner with libraries to digitize public domain materials and make them widely accessible. Public domain books belong to the public and we are merely their custodians. Nevertheless, this work is expensive, so in order to keep providing this resource, we have taken steps to prevent abuse by commercial parties, including placing technical restrictions on automated querying.

We also ask that you:

+ *Make non-commercial use of the files* We designed Google Book Search for use by individuals, and we request that you use these files for personal, non-commercial purposes.
+ *Refrain from automated querying* Do not send automated queries of any sort to Google's system: If you are conducting research on machine translation, optical character recognition or other areas where access to a large amount of text is helpful, please contact us. We encourage the use of public domain materials for these purposes and may be able to help.
+ *Maintain attribution* The Google "watermark" you see on each file is essential for informing people about this project and helping them find additional materials through Google Book Search. Please do not remove it.
+ *Keep it legal* Whatever your use, remember that you are responsible for ensuring that what you are doing is legal. Do not assume that just because we believe a book is in the public domain for users in the United States, that the work is also in the public domain for users in other countries. Whether a book is still in copyright varies from country to country, and we can't offer guidance on whether any specific use of any specific book is allowed. Please do not assume that a book's appearance in Google Book Search means it can be used in any manner anywhere in the world. Copyright infringement liability can be quite severe.

About Google Book Search

Google's mission is to organize the world's information and to make it universally accessible and useful. Google Book Search helps readers discover the world's books while helping authors and publishers reach new audiences. You can search through the full text of this book on the web at `http://books.google.com/`

15
*
B 1,105,859

ESTIMATES COMMITTEE
1965–66

HUNDRED & FIFTH REPORT

(THIRD LOK SABHA)

INDIA
LOK SABHA SECRETARIAT

PROPERTY OF
University of Michigan Libraries
1817
ARTES SCIENTIA VERITAS

E. C. No. 466

ESTIMATES COMMITTEE (1965-66)

HUNDRED AND FIFTH REPORT

(THIRD LOK SABHA)

MINISTRY OF INDUSTRY

(ORGANISATION OF THE DEVELOPMENT COMMISSIONER, SMALL SCALE INDUSTRIES)

PART I

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI
April, 1966/Chaitra, 1888 (Saka)

Price: Rs. 2.10

HJ
65
.B16
2/67
105

LIST OF AUTHORISED AGENTS FOR THE SALE OF LOK SABHA SECRETARIAT PUBLICATIONS

Sl. No.	Name of Agent	Agency No.
	ANDHRA PRADESH	
1.	Andhra University General Cooperative Stores Ltd., Waltair (Visakhapatnam).	8
2.	G.R. Lakshmipathy Chetty and Sons, General Merchants and News Agents, Newpet, Chandragiri, Chittoor District.	94
	ASSAM	
3.	Western Book Depot, Pan Bazar, Gauhati.	7
	BIHAR	
4.	Amar Kitab Ghar, Post Box 78, Diagonal Road, Jamshedpur.	37
	GUJARAT	
5.	Vijay Stores, Station Road, Anand.	35
6.	The New Order Book Company, Ellis Bridge, Ahmedabad-6.	63
	MADHYA PRADESH	
7.	Modern Book House, Shiv Vilas Palace, Indore City.	13
	MAHARASHTRA	
8.	M/s. Sunderdas Gianchand, 601, Girgaum Road, Near Princess Street, Bombay-2.	6
9.	The International Book House (Private) Limited, 9, Ash Lane, Mahatma Gandhi Road, Bombay-1.	22
10.	The International Book Service, Deccan Gymkhana, Poona-4.	
11.	Charles Lambert & Company, 101, Mahatma Gandhi Road, Opposite Clock Tower, Fort, Bombay.	30
12.	The Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay-1.	60
13.	Deccan Book Stall, Ferguson College Road, Poona-4.	65
	RAJASTHAN	
14.	Information Centre, Government of Rajasthan, Tripolia, Jaipur City.	38
	UTTAR PRADESH	
15.	Swastik Industrial Works, 59, Holi Street, Meerut City.	2
16.	Law Book Company, Sardar Patel Marg, Allahabad-1.	48
	WEST BENGAL	
17.	Granthaloka, 5/1, Ambica Mookherjee Road, Belgharia, 24 Parganas.	10
18.	W. Newman & Company Ltd., 3, Old Court House Street, Calcutta.	44
19.	Firma K. L. Mukhopadhyay, 6/1A, Banchharam Akrur Lane, Calcutta-12.	8
	DELHI	
20.	Jain Book Agency, Connaught Place, New Delhi.	1
21.	Sat Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi.	3
22.	Atma Ram & Sons, Kashmere Gate, Delhi-6.	9
23.	J. M. Jaina & Brothers, Mori Gate, Delhi.	11
24.	The Central News Agency, 23/90, Connaught Place, New Delhi.	15
25.	The English Book Store, 7-L, Connaught Circus, New Delhi.	20
26.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.	23

PL 480-SM
1-30-67

CORRIGENDA
To

Hundred Fifth Report of the Estimates Committee on the Ministry of Industry - Organisation of the Development Commissioner, Small Scale Industries (Part I)

Page 1, lines 4-5 from bottom, for 'Industries-lisation' read 'industrialisation'.
Page 3, line 23, after 'which' insert 'would' and for 'a small scale' read 'the small scale'.
Page 6, footnote, line 3, for 'n-factory' read 'non-factory'.
Page 9, line 8, for 'basis' read 'basic'.
Page 31, item(vi), line 2, for 'undertaking' read 'undertaken'.
Page 34, lines 4-24, treat the lines as recommendation.
Page 48, line 9 from bottom, for 'a other' read 'another'.
Page 49, footnote, line 1 from bottom, for 'Appendix VII' read 'Appendix I'.
Page 58, line 4 from bottom, for 'disadvantages' read 'disadvantage'.
Page 61, line 8 from bottom, for 'to not' read 'to note'.
Page 67, line 4, after 'State' insert 'Directors clarify the position. It may'.
Page 69, line 7, for '54' read '.54'.
Page 69, line 9, after 'case of' insert 'Madhya Pradesh and 11.50 per cent in the case of West Bengal to 73 per cent in the case of'.
Page 70, line 17, from bottom, after 'switch over' insert 'to'.
Page 72, line 1, for 'on reason' read 'no reason'.

(P.T.O.)

182 (aii) LS—1.

HJ
65
.B16
1962/67
no. 105

LIST [illegible] THORISED AGENTS FOR THE SALE OF LOK S

Sl. No

: 2 :

Page 72, line 13 from bottom, for 'aggrevated' read 'aggravated'.
Page 72, line 7 from bottom, for 'avlaible' read 'available'.
Page 83, line 18, for 'Stae-wise' read 'State-wise'.
Page 149, line 15 from bottom, after 'whi insert 'would'; and for 'in a' read 'in t
Page 150, lines 11-13, for 'arrange... th read 'arrangements for the collection of data from and the registration of small scale units'.
Page 153, line 2, for 'Chapter VI' read 'Chapter I of Part II'.
Page 15, line 7, for 'Chapter VI' read 'Chapter I of Part II'.
Page 162, S.No.27, line 2, for 'pratice' read 'practice'.
Page 162, S.No.27, line 15 from bottom, delete 'the'.
Page 163, S.No.28, line 6, for 'a other' read 'another'.
Page 167, line 22, for 'utlisation' read 'utilisation'.
Page 167, line 12 from bottom, for 'effective' read 'effectively'.
Page 172, line 19, for 'SCIO' read 'CSIO'.
Page 173, line 4 from bottom, for 'biger' read 'bigger'.
Page 175, S.No.48, line 7, for 'eve' read 'even'.
Page 177, Appendix XVI, item I, for 'CIASSIFICATION' read 'CLASSIFICATION'
Page 177, S.No.2, line 2, for 'progarmmes read 'programmes'.

Maruti
Dadaji

42, Municipal Market,
Janpath, New Delhi.

L 480-84
-30-67

CONTENTS

	PAGE
OMPOSITION OF THE COMMITTEE	(iii)
NTRODUCTION	(v)
. INTRODUCTORY	1
A. Definition of Small Scale Industries	1
B. Role of Small Scale Industries in the National Economy	3
C. Data and Registration	6
I. ORGANISATION	12
A. Responsibilities of the Central and State Governments with regard to Small Scale Industries.	12
B. Objectives of Programmes for the Development of Small Scale Industries.	12
C. Organisation at the Centre	13
D. Organisation in the States	25
E. Coordination.	28
I. DEVELOPMENT PROGRAMME AND PROGRESS	38
A. First and Second Five Year Plans.	38
B. Third Five Year Plan.	39
I. THE PROBLEM OF SCARCE RAW MATERIALS	52
A. The Gravity of the Problem	52
B. Distribution between Large Scale and Small Scale Sectors	62
C. Distribution among Small Scale Units and role of Central Small Industries Organisation.	62
D. Discrimination between States	68
E. Distribution of Aluminium and Steel	69
F. Distribution of Metal Scraps	72
G. Inspection of Utilisation	73
H. Need for Guided Development of Small Scale Sector	77
I. Targets and Achievements regarding the production of Non-ferrous Metals.	78
. CREDIT FACILITIES	81
A. Problem of Finance for Small Scale Sector	81
B. Sources of Credit for Small Scale Industries.	81
C. Availability of Credit to Small Scale Sector as compared to its needs.	96

182 (aii) LS—1.

PAGE

APPENDICES . . . . . .

I. Statement showing Employment, Capital and Output in small registered Factories by Industry Group, 1960. 100

II. List of members of the Small Scale Industries Board. 103

III. Statement showing sanctioned and existing strength of staff in Central Small Industries Organisation. 108

IV. Statement showing number of gazetted posts lying vacant as on 16-10-1965 in Central Small Industries Organisation . . 109

V. Organisation Chart, Development Commissioner, Small Scale Industries. 113

VI. Note on the functions and strength of the various Directorates at the Headquarters of the Central Small Industries Organisation . . 115

VII. Functions of the Policy Planning Group as envisaged in the Report of the International Perspective Planning Team, 1963 (pp 86-87). . 121

VIII. Statement showing the appointments of Development Commissioners (Small Scale Industries). 122

IX. Table showing details of expenditure on Central schemes for Small Scale Industries during Third Five Year Plan 123

X. Statement showing allocations of Non-ferrous metals to the Small Scale Sector, 1958—65. 131

XI. Statement showing State-wise assessed requirement allocation percentage and position according to serial order. 141

XII. Statement showing Loans under State Aid to Industries Act during Third Plan. 143

XIII. Statement showing loans sanctioned (effective) and advanced by the State Financial Corporations and the Madras Industrial Investment Corporation Ltd. as on the 30th September, 1964 (out of their own funds). 145

XIV. Statement showing ratios of advances to Small Scale Industries to total deposits and industrial advances, June, 1963. 148

XV. Statement showing summary of Recommendations/Conclusions contained in the Report. 149

XVI. Analysis of recommendations contained in the Report. . . . 177

ESTIMATES COMMITTEE

(1965-66)

CHAIRMAN

Shri Arun Chandra Guha.

MEMBERS

2. Shri Bhagwat Jha Azad
3. Shri Dinen Bhattacharya
4. Shri C. K. Bhattacharyya
5. Shri Brij Raj Singh—Kotah
6. Shri Jagannath Rao Chandriki
7. Shri Chuni Lal
8. Shri R. Dharmalingam
9. Shri Digambar Singh Chaudhri
10. Shri Indrajit Gupta
11. Shrimati Jamuna Devi
12. Shri Narayan Sadoba Kajrolkar
13. Shri Gauri Shanker Kakkar
14. Shri C. M. Kedaria
15. Shri L. D. Kotoki
16. Shri Narendrasingh Mahida
17. Shri Dwarka Dass Mantri
18. Shri Jaswantraj Mehta
19. Shri Mahesh Dutta Misra
20. Shri Mohan Swarup
21. Chowdhry Ram Sewak
22. Shri B. Rajagopala Rao
23. Shri J. Ramapathi Rao
24. Shri P. G. Sen
25. Shri H. Siddananjappa
26. Shri Nardeo Snatak

27. Shri N. M. R. Subbaraman
28. Shri Ramachandra Ulaka
29. Shri Vishram Prasad
30. Shri Yudhvir Singh

SECRETARIAT

Shri N. N. Mallya—*Joint Secretary.*
Shri Avtar Singh Rikhy—*Deputy Secretary.*
Shri G. D. Sharma—*Under Secretary.*

INTRODUCTION

I, the Chairman, Estimates Committee, having been authorised by the Committee to submit the Report on their behalf, present this Hundred and Fifth Report on the Ministry of Industry—Organisation of the Development Commissioner, Small Scale Industries—Part I.

2. The Committee took evidence of the representatives of the Ministry of Industry on the 2nd, 4th, 5th and 6th November, 1965. The Committee wish to express their thanks to the Secretary of the Ministry of Industry, the Development Commissioner, Small Scale Industries, and other officers of the Ministry for placing before them the material and information they wanted in connection with the examination of the estimates.

3. The Committee wish to extend their thanks to Dr. P. S. Lokanathan, Director-General, National Council of Applied Economic Research, and the representatives of the Federation of Associations of Small Industries of India, New Delhi; Small Scale Non-ferrous Industries Association, Calcutta; Federation of Small and Medium Industries, Calcutta; and All Mysore Small Scale Industries Association, Bangalore, for giving evidence and making valuable suggestions to the Committee.

4. The Report was considered and adopted by the Committee on the 14th April, 1966.

5. A statement showing the analysis of recommendations contained in the Report is also appended to the Report (Appendix XVI).

NEW DELHI;
April 21, 1966.
Vaisakha 1, 1888 (*Saka*).

ARUN CHANDRA GUHA,
Chairman,
Estimates Committee.

INTRODUCTORY

A. Definition of Small Scale Industries

In the First Five Year Plan small scale and village industries were broadly divided into three categories. These were:—

(i) those which formed an integral part of the village economy—these were called Village Industries;*

(ii) those which represented traditional skills and crafts—these were called Handicrafts; and

(iii) those which were more developed and had intimate connection with the corresponding large scale industries—these were called Small Scale Industries.

Thus, small scale industries were taken to indicate many newly organised industries worked with power as well as some of the old industries like handloom weaving, manufacture of utensils etc.

2. From the point of view of size and employment small scale industrial units fall broadly under two categories viz. (1) small factories registered under the Factories Act** 1948 but having a fixed capital of not more than Rs. 5 lakhs and (2) non-household non-factory manufacturing establishments.

The present definition of a small scale industrial unit, accepted in January, 1960, reads, "Small Scale Industries will include all industrial units with a capital investment of not more than rupees five lakhs irrespective of the number of persons employed." The capital investment for the purpose of this definition means investment in fixed assets like land and buildings and machinery and equipment. In the case of units functioning in rented premises, the capital valuation of such buildings is taken at 150 times of the actual monthly rent in assessing the prescribed limit of rupees five

*This Report is restricted to small scale industries. The problems of village industries and handicrafts have been considered in the Report on Rural Industrialisation in the context of the need for a comprehensive and integrated programme for rural industrialisation.

**Under the Factories Act, 1948 a 'factory' means a unit which employs 10 or more persons if using power, or twenty or more persons if not using power.

lakhs. While calculating the value of machinery and equipment, the original price paid by the owner is taken into account irrespective of whether the machinery is new or second hand.

The capital limit of Rs. 5 lakhs has been relaxed in the case of ancillary units* as the machinery and equipment for producing parts and components are generally costlier and require investment of a higher order. In the case of ancillary units, therefore, the capital ceiling has been prescribed at Rs. 10 lakhs.

The importance of the definition of small scale unit lies in the fact that all units covered by it are eligible for various forms of assistance under governmental programmes, including:—

(i) financial assistance;
(ii) allotment of raw materials;
(iii) technical assistance;
(iv) allotment of space in industrial estates;
(v) recognition as ancillaries;
(vi) participation in Government Stores Purchase Programme;
(vii) facilities for hire-purchase of machinery; and
(viii) subsidy on the supply of power, etc.

3. In recent years, there have been persistent demands for an upward revision of the capital ceiling for small scale units, mainly on the grounds that (i) as the prices of land and buildings as well as plant and machinery have gone up considerably, many units which would really have been in the small scale sector are now out of it, and (ii) with improvements in technology, the scale of operations is continuously increasing, making it difficult to establish, in many industries, a new unit of economic size within the capital limit of Rs. 5 lakhs.

The question of revising the definition was considered by a Subcommittee of the Small Scale Industries Board in 1962. The Subcommittee recommended that, as in the case of ancillary units the limit in respect of fixed capital assets of small scale units should be raised to Rs. 10 lakhs. Government, however, decided not to implement the recommendation "for the present as it would be improper

*An 'ancillary unit' may be defined as a unit having a capital investment not exceeding Rs. 10 lakhs which produces parts, components, sub-assemblies and tooling for supply against known or anticipated demand, of one or more large units manufacturing/assembling complete products and which is not a subsidiary to or controlled by any large unit.

in the context of the present national emergency, aggravate the strain on the raw material supply and also necessitate administrative arrangements which may cause avoidable confusion."

It has been represented to the Committee by a number of Associations of Small Scale Industries that the Rs. 5 lakhs capital limit should relate to only plant and machinery; in other words, the value of land and buildings should be excluded from computing the present capital limit in respect of small scale units. One Association has even, urged that the capital limit should be raised to Rs. 10 lakhs.

Considering the fact that the financial and technical resources available with the Government as also the supplies of many essential raw materials fall even now much short of the requirements of the small scale sector, the Committee feel that an abrupt raising of the capital limit from Rs. 5 lakhs to Rs. 10 lakhs may not be advisable as it would entail a wider coverage of units and consequent dilution of the developmental assistance available to small scale units. At the same time the Committee recognise that since the existing definition of small scale unit was laid down, there has been a marked increase not only in the cost of land, machinery, building etc. but higher capital is also required in adopting modern technical and managerial process or in meeting quality requirements. It has, therefore, become necessary that the capital limit of small scale unit is adjustable in such a way that the units which have been in a small scale sector but, for the rise in the prices of capital assets, are not kept out of it. In view of these considerations, the Committee consider that it would be reasonable to revise the definition of the small scale unit so that the value of plant and machinery alone is taken into account in computing the Rs. 5 lakhs capital limit, leaving out the value of land and buildings which varies widely from place to place.

B. Role of Small Scale Industries in the National Economy

4. The Industrial Policy Resolution, 1948 recognised the role of cottage and small scale industries in the following words:—

> "Cottage and small scale industries have a very important role in the national economy, offering as they do scope for individual, village or cooperative enterprise, and means for the rehabilitation of displaced persons. These industries are particularly suited for the better utilisation of local resources and for the achievement of local self-sufficiency in respect of certain types of essential consumer goods like food, cloth and agricultural implements."

The industrial Policy Resolution, 1956 stressed the role of cottage, village and small industries in the development of the national economy, as follows:—

> "In relation to some of the problems that need urgent solution, they offer some distinct advantages. They provide immediate large scale employment; they offer a method of ensuring a more equitable distribution of the national income and they facilitate an effective mobilisation of resources of capital and skill which might otherwise remain unutilised. Some of the problems that unplanned urbanisation tends to create will be avoided by the establishment of small centres of industrial production all over the country."

5. The growth of small scale industries during the last decade has been described as one of the "most significant features of India's recent development." Although comprehensive data on the size of the small industries sector is not available, convincing proof of the vital and integral role of small scale industries in the country's present industrial structure has been provided by the International Perspective Planning Team which reported on the progress and the prospects of "Small Scale Industries in India" in July, 1963.

The Team assessed the position of the small scale industries in the national economy with the help of the data available from the Annual Survey of Industries, 1960, and a special tabulation made by the Central Statistical Organisation (CSO). The detailed findings of the Team as regards the relative position of small registered factories in the different industrial sectors are set out in Appendix I. In summary, the Table shows that in 1960 approximately 36,400 factories registered under the Factories Act had fixed capital of less than Rs. 5 lakhs. These small registered factories represented over 92 per cent of all registered factories and employed over 13,30,000 persons, or 38 per cent of the total registered factory employment. Fixed capital owned by these small units amounted to about 17 per cent of the total fixed capital in the registered factory sector. The gross value of their output exceeded Rs. 1,230 crores or about 33 per cent of total output representing about 25 per cent of the value added or net output of the registered factory sector.

The Team noted that small factories were not confined to consumer goods, but contributed significantly to India's manufacture of producer or investment goods. Moreover, in many key modern industry groups, small factories had acquired a significant position along with medium and large factories. On the basis of data avail-

the Team confirmed that "small manufacturers have shared closely in the total expansion of factory output in India in the decade which has approached an annual average rate of about r cent."

.s regards the industry groups having the largest volume of small ıry activity, the major findings emerging from Table I are:—

"(i) Small factories have their greatest output, employment and investment in the basic necessities of life: food products, grain milling, ginning and pressing of fibres, and textile weaving and finishing. In the agriculturally based groups, small factories account for the major share of industry volume; but in textiles, they have only a small share of total output, despite their large volume of activity. In absolute terms, small factories in the food, fibre and textile groups produced over Rs. 617 crores in 1960, employing some 5,07,600 persons.

(ii) Metal working and machinery industries are the next most important sector for small registered plants. Contributing many producer as well as consumer goods, small plants in this industrial sector had a total output of Rs. 218 crores and employment of 2,17,600 persons in 1960. In fabricated metal products they produced 60 per cent of the total output of all registered factories, with 66 per cent of the persons employed but only 41 per cent of fixed investment.

(iii) In non-electrical machinery, small plants produced 46 percent of gross output, employed 52 per cent of the work force; and 35 per cent of fixed capital.

(iv) The share of small factories in basic iron and steel (largely iron castings), non-ferrous metals products and electrical machinery is also significant.

(v) In another set of industry groups including tanneries, wood and cork and products of stone, clay, cement, and glass, the share of small plants in the output ranges from 59 to 89 per cent representing Rs. 103 crores and employment of 1,50,200 persons in 1960."

Thus, small units, even excluding unit not registered under ıctories Act, have come to contribute quite a large share of the ry's manufacturing output. It is significant that they have ished a broad base of operation for manufacturing important , particularly in metal working and machinery industries.

Reliable data on the non-household non-factory establishments is not available. It has been estimated that small enterprises (both factory and non-factory) contributed Rs. 1450 crores to the national income of the country in 1960-61 as against Rs. 990 crores contributed by large scale industries. Further, as against about 21.70 lakh persons employed in the large scale sector, the total employment in the small scale units has been estimated at about 23.30 lakhs including 10 lakhs in the non-registered non-household small units.*

The Committee appreciate the significant contributions of the small scale sector to the creation of new employment and to the total industrial production of the country. The Committee therefore wish to stress that proper development of this sector with the gradual introduction of modern technology and standardisation, is crucial for accelerating the industrial and economic progress of the country and for providing broader and economically and socially more justifiable industrial base. The Committee further feel that the sphere of activity between the small scale and large scale sector should be clearly demarcated.

C. Data and Registration

(I) LACK OF DATA ABOUT SMALL SCALE SECTOR

7. The First Five Year Plan noted that the information available on the subject of the existing small industries was extremely meagre with the result that there had been far too little formulation of policy on the subject and small industries had mostly developed in an unplanned manner lacking in some of the elements that made for efficiency and stability.

The Estimates Committee (Second Lok Sabha) had pointed out in their 77th Report (1960) that there had been little improvement in the availability of information on small scale industries. The Committee recommended that basic data needed for carrying out the objectives envisaged for the small industries should be collected and development schemes for the small scale sector should be prepared on the basis of the data thus collected. The Committee suggested the introduction of "a system of registration of all functioning units which fall within the definition of small scale industries so that it would be possible to assess accurately the problem of these industries and to plan accordingly."

*The fixed capital investment in small scale factories in 1960 has been estimated at Rs. 211.57 crores. —See Appendix I. Figures regarding capital Investment in the n-factory small scale units are not available.

The above recommendations were accepted by the Government. In fact, as regards registration, the representative of the Ministry had agreed in the course of evidence itself that it would be desirable to have compulsory registration of all small scale industrial units and that this could be secured by suitably amending the Factories Act.

However, as recently as May, 1965 the Lokanathan Committee on Scarce Raw Materials, has observed "During the course of our working we became painfully aware of the fact that dependable, uniform data regarding different small scale industries is not available over a period of time." The Lokanathan Committee emphasized that the availability of adequate data about the capacities of small scale industries, their requirements of scarce raw materials, etc. was a pre-requisite to the implementation of its main recommendation for an equitable distribution of scarce raw materials between the large scale and small scale sectors. In the material supplied by the Ministry of Industry and Supply to the Committee it is stated that "the absence of comprehensive data regarding the size of the small scale sector, especially the part of it which comes under the coverage of the Central Small Industries Organisation, is a major lacuna in the industrial statistics of our country."

(II) EXISTING ARRANGEMENTS

(a) *Collection of data*

8. The existing arrangements for the collection of data on the small scale sector are stated to be as follows:

"(i) *Annual Survey of Industries*: Since 1959 the Central Statistical Organisation (CSO) have been conducting Annual Surveys of Industries (ASI). This survey is conducted in two parts, viz. (1) the Census part and (2) the Sampling part. The Census part covers all industrial units employing 50 or more workers when using power and 100 and more workers when not using power. The sample part covers all units employing 10 to 49 workers when using power and 20 to 99 workers when not using power."

"(ii) *Ad hoc Surveys by CSIO*: The Central Small Industries Organisation have been conducting surveys to collect basic information on particular industries and in particular areas with a view to finding their present position and future potentialities. *Ad hoc* surveys to find out growth pattern of a few small scale industries have been conducted."

"(iii) *Statistics by State Directorates of Industries and Bureaus of Economics and Statistics*: The State torates of Industries and the State Bureaus of Sta and Economics are also compiling some statistic of scale industries. Each of the State Directorates of tries has mainly a list of units registered with the various forms of assistance. These lists are also con into directories. Though the basic requirements for pilation of the directories were, name and address unit, line of production, year of establishment, i ment, employment, capacity, registration number, s indigenous and imported raw material required, each State directory/register has its own contents."

(b) *Registration of Small Scale Units*

9. The Committee have been informed that there is no syst compulsory registration for small scale units. However, such are being registered by the Directors of Industries on a volu basis. It has been stated that the registration of small scale with the State Directorates of Industries "has gained moment recent years as this procedure is insisted upon in connection the allocation of indigenous raw materials, grant of import li for machinery, components and raw materials, etc., procurem machinery on hire purchase and securing of loans under the Aid to Industries Act." Thus, the number of units registered the State Directorates has risen from 57,000 in 1963 to 92,000 end of June 1965. It is accepted that small scale units which approach governmental agencies for the grant of facilities und Governmental Assistance Programme (including the allocati raw materials) are generally not registered with the State Di rates of Industries and also that the procedure for regist varies from State to State. Moreover, as pointed out by the F Plan Working Group on Small Scale Industries, information r ing investment, employment, output, etc. is not regularly col even for the registered units.

(c) *Drawbacks of existing arrangements*

10. The Committee note that there are some important shor ings in the existing arrangements for the registration of small units and the collection of data from them. These are:

(i) The Annual Survey of Industries does not cover the small scale sector as units employing less than 10 w

when using power and less than 20 workers when not using power, are excluded from its purview. Moreover, the larger part of the small scale sector is covered on a sampling basis and reliable results at the district level are not available.

(ii) **The *Ad hoc* surveys conducted by the C.S.I.O. are only selective attempts which only serve the limited purpose of providing basis information on particular industries and particular areas.**

(iii) **The Directories listing small scale units registered with the State Directorates of Industries are neither exhaustive, nor do they have uniformity of content.**

(iv) **Registration of small scale units with the State Directorates being voluntary and necessarily incomplete, comparison over a period of time will not indicate growth during the period. Moreover, there is no uniform procedure for registration in the States and basic information is not regularly collected even for the registered units.**

(III) Need for Remedial Measures

11. The representative of the Ministry stated in the course of evidence that though there was no compulsion, in practice, the State Governments were able to obtain 'rudimentary information' about the small scale industries which came to them for assistance of one kind or the other. In this way, about 50 to 60 per cent of small scale units were covered by registration with the State Directorates of Industries. He conceded, however, that "for our policy purposes we want a much larger coverage and this information is not available." Questioned about the measures that were being taken to remove this lacuna, he said that the Ministry of Industry and Supply had been trying with Central Statistical Organisation "to arrange to extend their collection of statistics of factories to the small scale industries sector also", but had not been able so far to persuade the Central Statistical Organisation to take up this work.

It was further stated by the representative of the Ministry that the Union Government could not enforce compulsory registration of small scale units as it lacked "legal sanction in this particular sector of development to enforce any compulsion". Asked what had prevented the Ministry from obtaining the requisite legal sanction, he said, "since the administrative steps that would be needed would be quite large, mere legal sanction is not enough. Even if we get the legal sanction, we will have to persuade the Central Statistical

Organisation to lay out the administrative organisation for the purpose. It is on that we are rather stalled; we have not been able to take them fully with us." He maintained that the collection of information about small scale industries was a stupendous task which would require a large staff "to go practically from house to house, from village to village" for getting the statistics and for tabulating and analysing the same. He added that according to a rough estimate the setting up of a requisite administrative machinery for enforcing compulsory registration of small scale units would cost about Rs. 15 crores for the Third Plan.

The Committee cannot too strongly emphasise that the collection of reliable statistics about all the important aspects of the small scale sector is an essential pre-requisite for the planned development of small scale industries. They regret to note that although the recommendations made by them in this behalf in their 77th Report (Second Lok Sabha) were accepted by the Government, no real progress has been made in implementing them and a large part of the small scale industries functioning in the country still continues to remain out of the purview of industrial statistics.

The Committee urge that the Ministry should, with the utmost expedition, enlist the cooperation of the Central Statistical Organisation and the State Directorates of Industries for the collection and tabulation of essential data on a uniform basis regarding the small scale sector, particularly the type of end-products made, components and raw materials required, employment, investment, installed capacity and its utilisation, labour condition etc. In this connection, the Committee would like to commend the method and the procedures adopted by the Small Industries Service Institute, Kanpur for conducting the unit to unit survey in all districts of Uttar Pradesh during the years 1961—63 and for maintaining this record up-to-date. Any legislative measures required for the purpose should also be speedily devised and initiated.

The Committee feel that for the regular collection of data in respect of the small scale sector it is essential to have a system of compulsory registration of all small scale units. The procedure for registration should be shorn of all unnecessary formalities and made simple and businesslike so that the units do not feel any difficulty or hesitation in complying with the requirements. The Committee feel that the District Industries Officers and the Industrial Extension Officers can greatly facilitate the work of registration for they have already got the requisite field staff; this should also incidentally make for substantial reduction in the administrative cost of enforcing registration of small scale industries.

The data thus collected may be integrated and tabulated at the State level and might be periodically checked by the Central Statistical Organisation on a sample basis.

As the introduction of compulsory registration might take some time, the Committee would like to suggest that as an interim measure requisite information about the new units coming into the small scale sector may be systematically collected through the good offices of the State electricity boards or any other authority supplying power to whom such units are bound to apply for power. Standard proforma in this behalf may be prescribed to facilitate collection of information on uniform basis.

II

ORGANISATION

A. Responsibilities of the Central and State Governments with regard to Small Scale Industries

12. The development of small scale industries is regarded primarily as the responsibility of the States. During the First Five Year Plan, the State Governments attempted to introduce certain developmental programmes for small scale industries, but were unable to take any positive measures for tackling the problems faced by these industries due to shortage of finance, lack of adequate administrative machinery and paucity of technical personnel. In view of the vital importance of the small scale sector, in the economy of the country and the limited resources of the State Governments, the Central Government took the initiative in giving a definite shape to the small scale industries development programme. In 1954, an International Team of Experts on Small Scale Industries was invited by the Government of India through the courtesy of the Ford Foundation, to make a study of the problems of small scale industries in India. The major recommendations of the Team, which related to the establishment of four Regional Institutes of Technology for Small Industries (Small Industries Service Institute), a Marketing Service Corporation and a Small Industries Corporation (National Small Industries Corporation), were accepted by the Government in June 1954. This marks the beginning of a positive programme for the development of small scale industries in which the Centre has come to play an increasingly important role. Thus, there are two organisations—one Central and another State—for the development of these industries.

B. Objectives of Programmes for the Development of Small Scale Industries

13. The objectives of the various programmes for the development of small scale industries, as set out in the Industrial Policy Resolution, 1956 and in the Second Plan, are indicated below:

(i) To create immediate and permanent employment on a large scale at a relatively small capital cost;

(ii) To meet a substantial part of the increased demand for consumer goods and simple producers' goods;

(iii) To facilitate mobilisation of resources of capital and skill which might otherwise remain inadequately utilized;

(iv) To bring about integration of the development of small scale industries with the rural economy on the one hand and large scale industry on the other;

(v) To encourage a gradual progress in the techniques of production in the unorganised sector of industry without causing large-scale technological unemployment; and

(vi) To ensure a more equitable distribution of the national income and a balanced industrial development in different regions, *i.e.* to lay down the basis for an essentially decentralised society.

In the Third Five Year Plan, the main objectives to be kept in view in implementing the programmes for village and small industries have been defined as under:

(i) To improve the productivity of the worker and reduce production costs by placing relatively greater emphasis on positive forms of assistance such as improvement of skill, supply of technical advice, better equipment and credit, etc;

(ii) To reduce progressively the role of subsidies, sales rebates and sheltered markets;

(iii) To promote the growth of industries in rural areas and small towns;

(iv) To promote the development of small scale industries as ancillaries to large industries; and

(v) To organise artisans and craftsmen on cooperative lines.

C. Organisation at the Centre

14. The organisation at the Centre consists of the following agencies:

I. The Small Scale Industries Board,

II. The Central Small Industries Organisation,

III. The National Small Industries Corporation, and

IV. The Small Industry Extension Training Centre.

(I) THE SMALL SCALE INDUSTRIES BOARD

15. The Small Scale Industries Board, which was originally co stituted in 1954, is the apex body, with the Minister of Industry a Chairman, for coordinating and planning the development progran me in this field. It is an advisory board consisting of Central an State Government officials, representatives of Reserve Bank of Indi the State Bank of India, State Financial Corporations and a numbe of non-officials from industries and State Small Industries Board The Board is ordinarily constituted for two years at a time. Th present composition of the Board is given at Appendix II.

The Committee have been informed that in the initial period, th Small Scale Industries Board used to meet about three times a yea but "during the last three years it has been meeting almost once i a year though the intention has always been to call the meetings c the Board at least once in six months." The meetings of the Boar usually last two days.

The Committee are of the view that even in normal times, a tw day meeting of the Small Scale Industries Board once a year ca hardly be considered adequate for critical review and fruitful del berations on the problems facing the small scale industries. The strongly feel that in the context of the emergency situation preva ing in the country, both on the economic and defence fronts, tl Prime need to achieve maximum self-reliance within the shorte time, and the grave problem of idle capacity in the small scale sect due to lack of essential raw materials and components, the Sma Scale Industries Board should have been meeting more frequently take stock of the situation from time to time and to suggest positi measures to strengthen the small scale sector and to increase contribution to the national effort for achieving self-reliance a stepping up exports. The Committee consider that till the emerge conditions last, the Board should meet at least once in six months take stock of the position and initiate remedial measures, as requir

To be in continuous touch with some important programmes assistance and make detailed recommendations thereon to the Boa and to the Government, Standing Committees, consisting of membe of the Board, have been constituted. There are now Standing Co mittees on (1) Credit Facilities, (2) Ancillary Industries and (3) R Materials. Besides these. the Board constitutes, from time to tin *ad hoc* committees to go into specific problems and to report ba to the Board.

The Committee recommend that in the context of the growi need for national self-reliance, the Small Scale Industries Boa

should constitute Standing Committees to review, and suggest appropriate ways and means for increasing the contribution of the small scale sector to (1) Defence requirements, (2) Production of Agricultural inputs like improved agricultural implements, (3) Exports and (4) Import substitution. The Committee would also like to suggest the constitution of a Standing Committee on Industrial Estates since, as pointed out in Chapter VI, the Industrial Estates Programmes does not seem to have made much headway.

(II) THE CENTRAL SMALL INDUSTRIES ORGANISATION

(a) *Organisational set up and functions*

16. The Central Small Industries Organisation, headed by the Development Commissioner, Small Scale Industries, was established in 1954. It has a field organisation consisting of 16 Small Industries Service Institutes—one in each State except Nagaland and one in Delhi, 5 Branch Institutes, 60 Extension Centres, 3 production and 2 training centres.

At the Headquarters of the Central Small Industries Organisation, the Development Commissioner is assisted by:

(i) A Joint Development Commissioner for administration;

(ii) A Director of industrial policy and development concerning engineering industries;

(iii) A Director for Chemical Industries;

(iv) A Director for Industrial Estates and Civil Engineering Works;

(v) A Director for Economic Investigation and Statistics;

(vi) A Director of Industrial Management and Training;

(vii) A Director of Ancillary Industries;

(viii) A Director for Publications and Publicity. He also functions as Secretary of the Small-Scale Industries Board.

Each Director is assisted by Deputy Directors, Assistant Directors and other junior staff.

A statement showing the sanctioned and existing strength of the Central Small Industries Organisation is reproduced in Appendix III. It is seen that the existing strength of the Organisation is 3041; of which 264, including 48 gazetted officers, are at the Headquarters;

and 2777, including 268 gazetted officers, are in the Small Industries Service Institutes.

The number and distribution of gazetted/technical posts lying vacant in the Organisation as on the 16th October, 1965 are indicated in Appendix IV.

The various gazetted levels of officers in the Central Small Industries Organisation (CSIO) are as follows:

Class I

Director (Grade I)	Rs. 1100—1800
Director (Grade II) Industries Designer	Rs. 1100—1400
Deputy Director/Assistant Industrial Designer	Rs. 700—1250
Assistant Director (Grade I)	Rs. 400—950

Class II

Assistant Director (Grade II)	Rs. 400—680
Assistant Accounts Officer	Rs. 590—900
Assistant Editor	Rs. 350—800

The Directors in both the grades, are heads of Directorates in the headquarters office/Institutes in the field. In no case, a Grade II Director works under a Grade I Director. It has been stated that their main duties are to act as the administrative incharge of the Directorates in headquarters office or the Institutes/Centres in the field and to give technical guidance, etc. for the execution of the policies and programmes set for the Organisation. At the headquarters office, the Directors also act as advisers to the Development Commissioner on various technical matters.

The Deputy/Assistant Directors are under the control of the Directors aforesaid. In the field, their main function is to visit the various units under their jurisdiction, to give the units technical guidance on latest techniques of production, use of modern machinery, equipment and tools, etc. In the headquarters office, these officers look after the (i) regulating and (ii) developmental work of the industries in which they have specialised. They prepare model schemes for the benefit of entrepreneurs. Although for

administrative convenience these Deputy/Assistant Directors are placed under the control of Directors for coordination, local discipline etc. yet they work independently in their own field of specialisation.

17. An organisational chart showing the position of the Central Small Industries Organisation as on the 30th September, 1965 is reproduced in Appendix V.

The main functions of the Central Small Industries Organisation are as follows:

(a) Evolving an all India policy and programme for the development of small scale industries and coordinating the activities of various agencies responsible for their development;

(b) Approval of State sponsored industrial estates;

(c) Undertaking preparation of small industries schemes, project report and technical literature for the use of entrepreneurs; and

(d) Offering industrial extension service to the units.

The first two functions of the Central Small Industries Organisation enumerated at (a) and (b) are performed by the Headquarters Office, while the Industrial Extension Service is provided through the Small Industries Service Institutes, the Branch Institutes and the Extension and other Centres. There is also a Central Industrial Design Cell which functions in the Small Industries Service Institute, New Delhi. The Cell develops improved product designs, prototypes, drawings, and scale models for the use of small scale industries. Details regarding the Industrial Extension Service are given in Chapter III (part II).

The functions and the strength of the various Directorates at the Headquarters of Central Small Industries Organisation are indicated at Appendix VI.

(b) *Need for Policy Planning and Evaluation*

18. The International Perspective Planning Team in its report submitted in 1963 suggested the constitution of a highly qualified

planning and evaluation group in the Development Commissioner's Office. The group was expected to devote major attention to the preparation of special functional, topical or industry studies needed for policy guidance and for analysing current small industry problems. It was also to undertake periodic evaluation of small scale industry programmes and advice on programme planning, including budget allocations as among the major activities for annual and Five Year Plan purposes. The details of the functions envisaged for the group by the International Perspective Planning Team are indicated in Appendix VII.

Questioned on the subject, the representative of the Ministry stated during evidence that though a policy planning and evaluation group had not been specifically attached to the Office of the Development Commissioner; "as a matter of internal reorganisation, we have suggested that attention should be given to the evaluation and policy planning work in the CSIO". He added, "Evaluation has not gone very far, though in a minor way some evaluation is being done.... But policy planning has been there; it is not as if it is some thing new." He acknowledged that efforts in this field needed to be strengthened.

The Committee are in agreement with the view of the International Perspective Planning Team that the progressively changing opportunities and needs of small industry require continuous high level attention for the formulation of Government policies and measures for ensuring the healthy growth of small industries. In subsequent Chapters of this Report the Committee have drawn attention to the disappointingly slow progress of some of the small scale industry programmes, such as the Common Production Programme and the development of Ancillaries, which the Central Small Industries Organisation has been expected to further ever since it was established more than eleven years ago.

The Committee consider that the Central Small Industries Organisation as the primary national agency for the development of small scale industries, should not have over-looked to provide in its elaborate organisation a cell for continuous evaluation of the development programmes so as to provide guide-lines for realistic policy planning. Evaluation would no doubt have brought to the notice of Government much earlier the little progress that had been made in the implementation of the programmes of Common Production and Ancillaries. The Committee urge that the evaluation cell should be set-up without further loss of time by finding the requisite staff from within the existing strength of the Central Small Industries Organisation.

(c) *Senior Officers and administrative work*

19. With regard to the actual functioning of the Central Small Industries Organisation, the International Perspective Planning Team had observed:

> "Senior officials of the CSIO are presently too involved in the minutiae of day to day operations to devote adequate time and attention to the important functions of policy planning, coordination and control. They should be freed to concentrate on the key issues concerned with the development of strong, viable and progressive manufacturing enterprises."

It has been maintained on behalf of the Ministry that the above criticism is not applicable to the Headquarters of the Central Small Industries Organisation where there is a Joint Development Commissioner "who is entirely devoted to the question of administration." The other senior officers at the Headquarters are all engaged on technical work in their own fields though the technical work may be of an important nature or it may be of a detailed character. It has been admitted, however, that the observations of the International Perspective Planning Team do have some validity so far as the Small Industries Service Institutes are concerned, for the Director of an Institute "has inescapably to do a certain amount of administrative work".

The Committee are inclined to agree with the views of the International Perspective Planning Team regarding the functioning of the Central Small Industries Organisation that the "senior officials of the C.S.I.O. are presently too involved in the minutiae of day to day operations to devote adequate time and attention to the important functions of policy planning, co-ordination and control." They hope that the senior officers of this Organisation would make earnest efforts to remove this impression which appears to be widespread among the small scale industries.

The Committee need hardly stress that, to the extent possible, the Directors of the Small Industries Service Institutes should be made free from routine and administrative work so that their experience and knowledge are gainfully utilised in dealing with technical matters which are obviously their main concern. They would also like to suggest that a systematic effort should be made to rationalise the distribution of work and explore the possibilities of delegation of powers, not only in the Small Industries Service Institutes, but also

at the Headquarters of the Central Small Industries Organisation so that the division of work between the various categories of officers could be put on a sound footing ensuring the best use of the technical know-how and talent available in the Organisation.

(d) *Frequent Transfers of Development Commissioner*

20. The Committee note from a statement (Appendix VIII) submitted by the Ministry that during a period of about 10 years, *i.e.* from 6th September, 1954 to 8th May, 1964, the Office of the Development Commissioner, Small Scale Industries, has changed hands nine times, and that except in one case the incumbents have held the post for very short periods. The frequent changes in the incumbency of the office of the Development Commissioner have been explained in the course of official evidence as follows:

> "Normally, this post has been held by people who are senior enough to become Joint Secretaries or Directors*. The normal tenure of these officers is 5 years. If we had applied the normal tenure we would not have had so many changes. But, in all these cases, there have been changes largely because of personnel factors. Take, for example, the case of Shri Mukerjee. After a great deal of difficulty we obtained his services from the State Government. Soon after he joined the post, the Home Ministry set up a Division for Administrative Reforms and after a good deal of search they pitched on him to take over that charge. Then it becomes a question of assessing the comparative urgency of being kept where he is or sparing him for the new work. So, it is largely because of shortage of suitable officers that are coming up from the States that this kind of frequent change takes place."

The Committee consider the frequent changes in the incumbency of the office of the Development Commissioner to be unfortunate. They feel that such frequent changes cannot but have a harmful effect on the efficient working of the whole Organisation by depriving it of sound leadership which the Development Commissioner can provide only if he stays in the Organisation for some length of time to acquire the requisite experience and develop a genuine concern and a real sense of responsibility for the progress of the Organisation and its various schemes for the development of small scale industries.

The Committee, therefore, recommend that while selecting an officer for appointment as Development Commissioner, care should

*Directors in Ministries are ordinarily in the scale of Rs. 1800—2000.

be taken to see that apart from the incumbent being technically and emotionally suitable for the post, he would ordinarily stay in the post for a period of five years to provide the necessary leadership in formulating and implementing the plans for the development of small scale industries.

(e) *Need for Review of Staff Position and Reorganisation of the CSIO*

21. It has been represented to the Committee that in the Central Small Industries Organisation highly qualified and expert staff do not stick to their posts possibly because of more attractive openings outside. Moreover, "when certain responsible persons incharge of the Department leave the organisation, the Department almost becomes an orphan for a long time without any body to care for it."

The Committee note that as many as 39 gazetted posts in the Central Small Industries Organisation have been lying vacant, a number of these for periods ranging from 2 to 5 years. These unfilled vacancies include one post of Director (SISI), ten posts of Deputy Directors, including four posts at the Headquarters, and 28 posts of Assistant Directors—all in the Small Industries Service Institutes and their attached centres. It has also been stated that during the last four years 15 officers of the Organisation have resigned while another 39 have proceeded on deputation to other departments. The number of officers who have been on deputation for more than three years is 11.

Explaining the position with regard to the unfilled vacancies in the Organisation, the representative of the Ministry stated during evidence that some of the posts had remained vacant for long periods because the Union Public Service Commission, through whom these posts had to be filled, was unable to find men with the requisite qualifications and experience as there was a general shortage of engineering and technical personnel. He added:

> "Even when we go to the U.P.S.C., they advertise and all the paraphernalia are gone through but eventually we are told that they are not in a position to give us the men. Then we try to dilute the qualifications and then go through the whole process again."

As regards the posts which had to be filled up by promotion the representative of the Ministry said that steps had been taken to make the appointments. He pointed out that even in these cases

certain procedures had to be followed "about placing them before the Departmental Promotion Committee and so on."

Asked whether any of the vacant posts could be surrendered, the representative of the Ministry replied that all these posts were "very necessary" and their remaining unfilled had definitely affected the efficiency of the Organisation. He went on to say "My own feeling is that we will have to ask for more because there are many new directions in which work has to be started."

The Committee note that two 6-day sample studies of the working of the Head Office of the Development Commissioner, Small Scale Industries, conducted by the Staff Inspection Unit in November-December, 1964, have disclosed a surplus of as many as 58 hands in the Organisation—most of them non-technical. The Committee are, therefore, unable to appreciate the Ministry's contention that all the posts that have remained vacant for long periods in the Central Small Industries Organisation are 'very necessary' for the efficient working of the Organisation.

The Committee would like to recall in this connection the view of the International Perspective Planning Team that at the Headquarters of the Central Small Industries Organisation "Supporting staff should be kept at the minimum consistent with the programming, co-ordination and control function which must be the responsibilities of the Development Commissioner's Office". The Committee entirely agree with the above view of the International Perspective Planning Team. They would like to refer to Appendix III which shows that out of the 264 staff and officers at the Headquarters of the Central Small Industries Organisation as many as 201, including 19 gazetted officers, are engaged in purely administrative work. Again, in the Small Industries Service Institutes nearly half the strength is engaged in non-technical work. The Committee are convinced that the existence of such a high proportion of non-technical elements is neither conducive to nor necessary for, the efficiency of an organisation which is primarily meant to render technical assistance and expert guidance to small scale industries. They feel that the Central Small Industries Organisation should be a compact body of technically competent leaders who have first-hand experience of problems facing the small scale industries and can be of concrete assistance to the small entrepreneurs in resolving their problems.

In the later Chapters of this Report (Parts I and II) the Committee have pointed out the deficiencies in the various programmes with which the Central Small Industries Organisation is concerned. The

Committee feel that basically these deficiencies are attributable to the organisational weakness of the Central Small Industries Organisation. They would, therefore, like to stress the urgent and imperative need of a critical review of the existing organisation and staff strength of the C.S.I.O. with a view to effect economy and improve its capacity to render effective assistance and guidance to small scale units. They suggest that Government should set up a high-powered committee to undertake such a review at an early date so that the Central Small Industries Organisation is rid of unnecessary non-technical staff and equipped with qualified and efficient technical persons so as to enable the Organisation to discharge adequately its responsibilities during the Fourth Plan period.

(f) *Need for Evaluation of Staff Performance*

22. It has been admitted during evidence that evaluation of the performance of officers and other extension personnel in the Central Small Industries Organisation has so far been of a 'perfunctory nature'.

The Committee feel that in an Organisation like the Central Small Industries Organisation whose primary function is to bring about development of small scale industries, the performance of the officers and other staff should be judged by the success they achieve in this behalf. They would, therefore, suggest that an effective system of evaluating the performance of officers at all levels should be introduced without delay.

(III) NATIONAL SMALL INDUSTRIES CORPORATION

23. The National Small Industries Corporation was founded in 1955 as a Government of India undertaking. Its main functions are:—

(a) Supply of machinery to small units on hire-purchase basis.

(b) Assistance to small units in securing contracts from Central Government Store Purchase Agencies for supply of stores.

(c) Assistance in the marketing of leather-footwear, both in internal and overseas markets.

(d) Distribution of certain products like transistor valves, electric motors etc. produced by certain production centres set up by the Government of India, and also those manufactured by Messrs Bharat Electronics Ltd.

(e) Management of Prototype Production and Training Centres at Delhi, Rajkot and Howrah.

(IV) The Small Industry Extension Training Institute

The Small Industry Extension Training Institute (S.I.E.T. Institute) Hyderabad, was founded in 1962 as an autonomous body registered under the Societies Registration Act. It is engaged mainly in training Central and State Government officers in implementing the small industry development programme. The Institute is now conducting courses in Industrial Management and Area Development Techniques. It is also conducting intensive courses in certain aspects of Industrial Management like Production Management, Financial Management and Cost Accounting etc. The Institute undertakes research on various subjects relating to development of small industries.

(V) Other Central Agencies

Besides the above, some other Central agencies like the State Trading Corporation, the State Bank of India and the Reserve Bank of India play an important part in implementing the small industry development programme, as part of their regular work. The activities of these organisations so far as small industries are concerned are described below:—

(i) *The State Trading Corporation and the E.A.S.I. Scheme.*

The State Trading Corporation has launched a scheme under the caption 'Export Aid to Small Scale Industries'. Under this scheme facilities such as, contact with foreign buyer, selection of products for export, presentation of products, pricing, credit, sampling, documentation, shipping, etc. are made available to the small scale units. Besides, the small scale units can also take advantage of the organisations set up by the Government, like Export Credit and Guarantee Corporation and Export Corporations.

(ii) *The State Bank of India.*

The State Bank of India grants loans to small scale units mainly for their working capital from all its branches. The Bank is also operating the instalment credit system and the medium term loan system for supply of medium term finance to meet the fixed capital requirements of small scale units.

(iii) *The Reserve Bank of India.*

The Reserve Bank of India administers the credit guarantee scheme formulated by the Government of India to augment the supply of credit to small units by extending a degree of protection to commercial banks against possible losses on their advances.

D. Organisation in the States

24. The important agencies connected with the small industries programme in the State are:—

I. The State Directorate of Industries.

II. The State Small Industries Corporation.

III. The State Financial Corporation.

IV. The State Directorate of Economics and Industrial Statistics.

(I) STATE DIRECTORATE OF INDUSTRIES

Among the various agencies at the state level the Directorate of Industries is the most important and is in overall charge of the small scale industries programme. The Director of Industries, who is the head of the Organisation, is assisted either by an Additional Director of Industries or by a Joint Director of Industries, who is exclusively incharge of the small scale industries. In addition, there are a number of Deputy Directors, Assistant Directors and technical officers incharge of specific fields of activities.

At the District level, the work is looked after by the District Industries Officer or the Assistant Director of Industries. He is assisted by one or two inspectors depending upon the quantum of work and the industrial importance of the district. The district staff looks after not only the small scale industries programme but also other programmes *e.g.* handicrafts, village industries etc. At the block level, in most of the States there are Extension Officers for industries in each N.E.S. Block.

The Committee have been informed that the main functions of the State Directorates in relation to small scale industries are:—

(i) Financial assistance under the State Aid to Industries Act.

(ii) Supply of raw materials, electric power, transport f ties, etc.

(iii) Development of Industrial Estates.

(iv) Meeting requirements of land.

(v) Grant of Essentiality Certificates for import licence raw materials, components etc.

(vi) Organisation of cooperatives and other forms assistance.

In addition, some States also render limited technical assistar to small scale units. These States have organised some common fa lity centres, extension centres (miniature single-purpose institute training-*cum*-production centres, and purely training centres. Sor States have also appointed skeleton staff, either in the Directorat of Industries or in their Departments of Economics and Statistics f collection of statistics and for conducting surveys of local impo tance.

(II) STATE SMALL INDUSTRIES CORPORATION

In recent years State Small Industries Corporations have be established in all the States except Madras and Jammu and Kas mir. The functions assigned or envisaged for these Corporatio include:—

(i) Distribution of raw materials;

(ii) Supply of machinery on hire-purchase basis;

(iii) Marketing assistance through publicity and propagan establishment of sales emporia, enlistment of small un for participation in store purchase by the State Gove ment;

(iv) Establishment and management of industrial estates;

(v) Setting up and management of production units;

(vi) Standardization, testing and quality marking of small dustry products.

(III) STATE FINANCIAL CORPORATION

The State Financial Corporations advance medium and long te loans to small scale industries.

(IV) STATE DIRECTORATE OF ECONOMICS AND INDUSTRIAL STATISTICS

In many States, the Directorate of Economics and Statistics are utilised for collection of statistics regarding small scale industries also.

(V) STATE AGENCIES FOR TECHNICAL TRAINING

Various agencies at the State level impart industrial training in many fields. The schemes cover new entrants as well as persons already working in the different units. They include craftsmen and instructor training, engineering, and rural area trade courses (black-smithy, carpentry, shoe making, tailoring etc.)

(VI) NEED TO STRENGTHEN STATE ORGANISATIONS SMALL SCALE INDUSTRIES

25. It has generally been acknowledged that there is a great difference in the quantity and quality of services provided by various States for the development of small scale industries and that, with few exceptions, considerable improvement is needed to enable the States to meet their developmental responsibilities.

The Committee have been informed during evidence that the weakness of the State Organisations for small scale industries lies in four directions. In the first place, most of the Directorates lack technical personnel and are staffed with only administrative men. Secondly, policy planning at the State level also needs to be improved. Another area in which the State Organisations require to be strengthened is inspection of small scale units. Finally, there is, at present, very little promotional activity at the District level as the District Industries Officers are mainly engaged in regulatory activity.

As the development of small scale industries is mainly the responsibility of the States, the Committee need hardly stress that urgent measures should be taken to staff the State Directorates of Industries with competent technical officers who are well equipped by training and temperament, to identify and to effectively deal with the needs and problems of small scale industries.

The Committee would also like to suggest that each State Directorate of Industries should have a planning cell to assist in policy formulation and programme evaluation. This group may also be entrusted with the tasks of co-ordinating the work of the District Officers and maintaining close liaison with the C.S.I.O.

The Committee have been informed that there is a proposal to introduce a promotional element in the small scale industries programme at the district level. The Committee welcome the proposal. The Committee consider that if the industrialisation programme is to make headway in districts, particularly in smaller towns or villages, it is imperative that promotional activities are handled by competent technical men both at the district and field levels.

E. Coordination

(I) COORDINATION BETWEEN DEVELOPMENT COMMISSIONER (SSI) AND DIRECTOR-GENERAL, TECHNICAL DEVELOPMENT

26. It has been represented to the Committee that due to lack of coordination between the Development Commissioner, small Scale Industries, and the Director General, Technical Development, the latter does not take into account idle capacity in the small scale sector while sanctioning additional capacity in the large scale units. The Committee have also noted a general feeling among Associations of small scale industries that the Development Commissioner does not have adequate powers *vis-a-vis* the Director General, Technical Development who looks after the large scale sector. Some of the Associations have suggested that the office of the Development Commissioner should have as much authority and power in regard to the development of small scale industries as the Director General, Technical Development enjoys with regard to the development of the large scale industries. More specifically, it has been urged that before granting licence for manufacture of components and parts, the Director General, Technical Development should hold prior consultations with the Development Commissioner.

The Lokanathan Committee have also pointedly stated that in "the absence of meaningful central coordination of the entire work relating to development both in the large and small sectors", the existing system of allocation of scarce raw materials has resulted in various disabilities to the small scale sector. By way of illustration, the Lokanathan Committee have pointed out *inter alia* that while an additional capacity since 1960 has been allowed to be created for non-ferous metal procesing in the small scale sector but as many as 51 units have been granted licences in the large scale sector between 1961 and 1964.

The Committee have been assured during evidence that, subject to important matters in which governmental policy is laid down, the Development Commissioner is free to take his own decisions on matters concerning small scale industries. As regards the position of the Development Commissioner, *vis-a-vis* the Director General, Technical Development, it has been stated by the representative of the Ministry, "He (the Development Commissioner) is on the same footing. Within his own sphere he is the top man and whenever there is any kind of discussion with the Ministry, his views are given equal weight".

While maintaining that there is no glaring lack of coordination between the Development Commissioner and the Director General, Technical Development, the representative of the Ministry has informed the Committee that the specific recommendations of the Lokanathan Committee, which related to coordination in regard to allocation of raw materials*, have been accepted by the Government and that efforts are being made to secure better coordination between the two organisations.

The Committee feel that the powers of Development Commissioner for the proper development of small scale industry are not at par with those enjoyed by the Director-General of Technical Development in respect of large scale industry. The Committee would like Government to remove all such handicaps which come in the way of Development Commissioner performing his duties efficiently in respect of small scale industries.

The Committee hope that keeping in view the main objective of promoting the healthy growth of the small scale sector, efforts will be made to secure close and effective co-ordination between the Development Commissioner and the Director General Technical Development in all important matters having a bearing on the development of small scale industries such as the allocation of raw materials and foreign exchange; licensing of additional capacity in the large scale sector; supply of components produced by large scale units to small scale units, purchase of components by large scale industries from small scale ancillary units, etc.

The Committee would like to stress that the need for close coordination between these two organisations is all the more necessary now as, under the new arrangements, the Director General, Technical Development comes under the Ministry of Supply while the

*For details please see Chapter IV.

Central Small Industries Organisation remains under the Ministry of Industry.

(II) COORDINATION BETWEEN CENTRAL AND STATE AGENCIES

(a) *Recommendations of the Organisational Committee,* 1962

27. The Estimates Committee in their 77th Report (Second Lok Sabha) March, 1960, had recommended the appointment of a Committee consisting of representatives of Central and State Governments and of small industries to review the working of the organisations relating to small scale industries both at the Central and State levels and make suitable recommendations "with a view to reduce the multiplicity of organisations, eliminate overlapping of functions by clearly demarcating the duties as between them, avoid delays, procedural and otherwise, and provide as far as possible unified service."

In pursuance of the above recommendations, the Government of India (Ministry of Commerce and Industry) constituted a Committee—known as the Organisational Committee for Small Scale Industries—by a Resolution dated the 8th September, 1961. The Organisational Committee, in its Report submitted in January, 1962, expressed the view that though the areas of duplication between the different agencies responsible for the development of small scale industries were rather limited, there was scope for clearer demarcation of functions and better coordination in a few fields. The main recommendations made by the Committee to avoid duplication and to streamline the activities and functions of the agencies concerned are summarised below:—

(i) *Machinery and Equipment.*—The National Small Industries Corporation has been supplying machinery, both indigenous and imported, to small scale industrial units on hire-purchase basis. The Small Industries Corporation which have adopted a similar programme, are likely to face many more difficulties and handicaps than has been the case with the National Small Industries Corporation in respect of imported machinery and it would be inadvisable for them to take up this work. However, if any

State Corporation is keen on taking up the work of supply of indigenous machinery on hire-purchase basis, there need be no objection to it.

(ii) *Training.*—State Governments should organise training facilities keeping particularly in view the local conditions and requirements. The mobile vans currently managed by the Central Government can, therefore, be more profitably utilised for training and demonstration by the State Governments.

(iii) *Prototype workshops and training Centres.*—The Prototype Workshops and training centres are of all India importance and their activities should be co-ordinated at all India level. The Central Small Industries Organisation should be made responsible for supervising, co-ordinating and managing all the existing centres as well as those proposed to be set up. However, for practical and administrative reasons, it may be necessary to continue the existing arrangements for some time longer.

(iv) *Standardisation, testing and quality control.*—Confusion has been created by different States and organisations following different quality standards and marks. The Indian Standard Institution should constitute a Committee to examine this problem.

(v) *Marketing.*—The National Small Industries Corporation and State Small Scale Industries Corporations should funtion in close liaison with each other. These Corporations can work as agents of one another in promoting the sale and display of products in all parts of the country. The State Corporations can also help the National Small Industries Corporation in the execution of export orders.

(vi) *Economic Surveys.*—Since economic surveys are being undertaking by both Central and State agencies, it is necessary to demarcate the respective fields of activities in order to avoid duplication. The State agencies should primarily be concerned with area studies which are of local importance. The Central Small industries Organisation should take up area studies only on explicit requests from the State Governments. It should undertake topic researches and assist the State survey staff in evolving suitable techniques of survey. It should also give

supervisory and directional assistance to State investig tion staff wherever asked for.

(vii) *Technical assistance.*—There has been some overlappi in functions between the Central and State agencies the field of technical assistance. The programme of co mon facility centres is an important field where both Ce ral and State agencies have been functioning in duplic tion. Wherever feasible, purely production or comm service facility centres, which are under the Centr Small Industries Organisation, should be transferred State Governments or cooperatives. However, this poli should not be rigidly applied to industrially backwa States where the Central Government agencies may con nue to organise such centres. Wherever any such centr are transferred to a State, funds relating thereto shou also be made available to the State.

The future of small scale industries depends very largely on t speed and the extent to which they can improve their technique of production and efficiency. This calls for greater attention the programme of technical assistance. This task can better b undertaken by the Central Government and the responsibility f this programme should continue to be with the central agencies. I view of the importance of this programme, the Small Industries se vice Institutes should be further strengthened so that they can fun tion as centres of knowledge on advanced techniques and practice and provide to the small scale units benefits of technical knowledg on an all India basis.

(viii) *Advisory Committee.*—In order to ensure effective c ordination between Central and State agencies, ther should be an Advisory Committee attached to each Sma Industries Service Institute consisting of:

(i) Director of Industries of concerned State..... Chairman

(ii) The Director, Small Industries Service Institute.

(iii) Regional Manager of the National Small Industrie Corporation.

(iv) & (v) Two non-official representatives of small scale in dustries one of whom should be the representative o the State on all India Small Scale Industries Board.

The Committee should meet frequently and ensure coordination between the different agencies and advise the Small Industries Service Institute and the National Small Industries Corporation on all their programmes in the State.

As regards the implementation of the recommendations of the Organisational Committee, the position has been stated to be as follows:—

(i) *Machinery and equipment.*—No specific action is called for on the part of the Government of India. The recommendation is for guidance only.

(ii) Training.—The proposal to transfer mobile demonstration vans to State Governments is being finalised and will be implemented during the Fourth Five Year Plan.

(iii) *Prototype workshops and training centres.*—A decision was taken towards the end of 1962 that the Prototype Centres should go over to a society to be formed especially for that purpose. The proposal for setting up such a society has been kept in abeyance due to Emergency.

(iv) *Standardisation, testing and quality control.*—The question of implementing this recommendation has been deferred on account of Emergency.

(v) *Marketing.*—The National Small Industries Corporation have been requested to implement this recommendation.

(vi) *Economic Surveys.*—This recommendation has been implemented in substance. The Central Small Industries Organisation does not undertake area surveys in any State except at the specific request of the State Government cencerned. Thus, there is now no scope for duplication of effort in this field by the Central Organisation and the State Governments. The Economic Investigation Division of the Central Small Industries Organisation is mostly concentrating on all India Industrial Surveys and Economic Information Surveys, apart from topic studies which are undertaken from time to time.

(viii) *Technical Assistance.*—The proposal for the transfer of Extension Centres undertaking purely production or common facilities service to the State Governments is being finalised and will be implemented during the Fourth Five Year Plan.

The Committee also note that Advisory Committees attached to Small Industries Service Institutes were first set up towards the end of September, 1962.

The Committee regret to note the delay of nearly 18 months in the appointment of the Organisational Committee in pursuance of the recommendation contained in their 77th Report (Second Lok Sabha). They are also unhappy to find that although the Organisational Committee submitted its report as far back as January, 1962 the implementation of some of its recommendation has been held over to the Fourth Plan period (1966-71) and in some cases indefinitely. Now that the Fourth Plan has commenced, the Committee hope that the matter will be examined thoroughly and that vigorous efforts will be made to give effect to such of the recommendations of the Organisational Committee as have not been implemented so far.

The Committee further regret to point out that they came across other instances also in which the recommendations made by the Committee in their previous report on this subject (77th Report 2nd Lok Sabha) have not been properly and timely implemented by Government even though the Committee have been informed of the acceptance of those recommendations. The Committee expect that after Government have accepted a recommendation of the Committee, there should not be any undue delay or hesitation in its implementation.

(b) *Existing Arrangements for Coordination*

28. It has been stated that since the Small Scale Industries Board —the apex body at the policy making level—includes members drawn from State and Central Governments and non-officials from small and large industries, necessary coordination is achieved through it at the policy-making level. The Central Small Industries Organisation follows up the recommendations of the Small Scale Industries Board and coordinates the implementation of the small industry development programme. It examines Plan proposals from State Governments for Industrial Estates and guides the State Governments in the preparation of schemes for development of small industries. It has further been stated that at the operational level, in the States, close liaison is maintained between the Small Industries Service Institutes run by the CSIO and the State Directorates of Industries. The Advisory Committees attached to the Small Industries Service Institute, as per the recommendations of

the Organisational Committee, function in effect, as State level Advisory Committees for the small industry development programme and, thus, take care of coordination at the State level.

The Committee have also been informed that recently the Development Commissioner, Small Scale Industries, has started having periodical meetings with the State Directors of Industries. These meetings are being held once in three months. So far, five such meetings have been held. The Development Commissioner also meets "every month, two or three Directors in their home States."

(c) *Need to Strengthen Coordination*

29. It has been stated during the course of official evidence that a certain amount of overlapping between the activities of the Central Small Industries Organisation and the State Directorates of Industries is unavoidable because both the organisations are operating in the same field—the promotion of small scale industries. Even so, efforts are being made to reduce the overlapping as much as possible through the Advisory Committees attached to the Small Industries Service Institutes. In regard to the actual functioning of the Advisory Committees, the representative of the Ministry has stated during evidence that some of them "have not met very frequently" and "there is certainly room for improvement in their work."

Asked about measures taken by the Central Small Industries Organisation to bring about improvement in the quality and quantity of services available to small scale industries in the various States, the representative of the Ministry has stated—

> "We take note of the deficiencies in the development in various States and in discussions with them tell their shortcomings and if they want any special technical assistance from the Centre, we send our men and also strengthen the particular trade in which they can progress in the particular State."

He has emphasised that the only 'really effective' way of achieving the development of small scale industries in the various States on a balanced and uniform basis is through personal contacts between the Development Commissioner and the State Directors of Industries.

In reply to another question as to whether the Central Small Industries Organisation has adequate powers to ensure uniformity, the representative of the Ministry has observed:

> "It may not be entirely wise to enforce an artificial uniformity because all the States have not developed in a uniform

way. Some States have gone far ahead. Some States are lagging behind. So, there will have to be a certain amount of adjustment in the pace of development, in the kind of industries to be brought in, depending on the local resources, the extent of the skill and the manpower that is available. All these things have to be taken into consideration. So a rigid uniformity will not be advisable but on broad policies we always see that there is no individual departure and we ensure it by frequent discussions and meetings by the Development Commissioner visiting these places as part of his tours and also we have annual discussions for the purpose of allocation of the Plan funds."

In another context, the representative of the Ministry has stated that *vis-a-vis* the State Directors of Industries, the Development Commissioner "cannot assume any executive functions and, therefore, he can only advise", and "it will not be strictly correct to say that he can give directions or directives (to the State Directors)".

The Committee regret that the Advisory Committees attached to the Small Industries Service Institutes have so far failed to make the expected impact on small scale industries even though these can go a long way towards ensuring the necessary coordination between the various Central and State agencies for the development of small scale industries...They hope that the Advisory Committees would be energised.

The Committee urge that each Advisory Committee should meet at least once in three months and more often, if necessary and should watch and ensure the implementation of the decisions reached at each meeting.

The proceedings of the Advisory Committee and the action taken thereon should be regularly submitted to the headquarters of the Central Small Industries Organisation which should collate the experience of the various States and provide necessary guidance. The Committee suggest that the Development Commissioner may review the working of these Advisory Committees with special reference to action taken by State Governments on their recommendations at his periodical meetings with the Director of Industries of the State concerned.

The Committee would also like to suggest that the Advisory Committees should be strengthened by getting into them represen

tatives of the State Bank, Commercial Banks and State Productivity Councils, and a few more small industrialists.

The Committee would like to see closer coordination and cooperation between the Small Industries Service Institutes and Directorates of Industries in the States. They are glad to note that the need for pooling together the resources of the two organisations is recognised.. In view of the fact that most State Directorates do not have an adequate organisation for inspection, the Committee would like the Union Government to consider whether the Small Industries Service Institutes could help them in conducting inspections of small scale units for assessment of production capacity, necessity and utilisation of raw materials etc. till such time as the Directorates are themselves suitably strengthened for the purpose.

The Committee welcome the recently adopted practice of the Development Commissioner, Small Scale Industries holding periodical meetings with the State Directors of Industries. They hope that such meetings will be held regularly and that they will prove a useful means of bringing about a broad uniformity in the provision of requisite facilities and services for the development of small scale industries in the various States.

While taking note of the present arrangements for coordinating the activities of the various agencies concerned with the development of small scale industries, the Committee would like to suggest the appointment of an ad hoc committee by the Small Scale Industries Board to consider whether the existing powers of the Central Small Industries Organisation are adequate to enable it to secure the necessary coordination and uniformity in regard to the development of small scale industries, and make suitable recommendations. The Committee wish to stress that though they do not consider a rigid uniformity in these matters to be either necessary or desirable, they, however, feel that it is necessary to guard against a situation where the Central Small Industries Organisation finds itself unable to implement agreed policies and objectives for lack of adequate powers.

III

DEVELOPMENT PROGRAMME AND PROGRESS

A. First and Second Five Year Plans

30. In the first Five Year Plan a provision of Rs. 37·5 crores v made for the development of village and small industries agai which an expenditure of Rs. 33·7 crores was incurred. The ma part of this expenditure was accounted for by the Handloom a Khadi Industries. The total expenditure on small scale industr during the Plan was Rs. 4·4 crores only.

The Second Plan provided for an outlay of Rs. 200 crores village and small industries which included Rs. 61 crores for sm scale industries. This amount was eventually reduced to Rs. 55 crores by the Planning Commission in consultation with the e while Ministry of Commerce and Industry as a result of the re praisal of the resources available and the actual expenditure inc red in the preceding years. The break-up of Rs. 55·57 crores indicated below:

(Rs. in crores)

	Item	Original amount	Revise amoun
1	State Schemes	35	33·1
2	General Schemes*	6	..
3	Industrial Estates'	10	11·0
4	Central Schemes	10	11·3
	TOTAL	61	55·5

*The General Schemes were later merged in the State Schemes.

B. Third Five Year Plan

(I) Outlay and Expenditure

(a) *General*

31. The Third Five Year Plan envisaged a total outlay of Rs. 264 crores for programmes of village and small industries. The outlay proposed in the Plan for the small scale industries sector was Rs. 114·8 crores and was divided under three main heads, *viz.*:

(i) Central Schemes;

(ii) States' Schemes; and

(ii) Industrial Estates.

(i) *Central Schemes*

The Central Schemes, *i.e.* schemes operated and wholly financed by the Centre, include the following items:

(1) Central Small Industries Organisation,

(2) National Small Industries Corporation,

(3) Inventions Promotion Board, National Design Institute, Small Industry Extension Training Institute, Rural Institutes, etc.

(ii) *States' Schemes*

The important States' Schemes for the development of small scale industries are:

(1) Block Loans,

(2) Industrial Cooperatives,

(3) Subsidy on supply of power,

(4) Service Schemes,

(5) Commercial Schemes,

(6) Strengthening of Industries Departments.

These schemes are implemented by the States, but the finance therefor is largely provided by the Centre in the form of loans and grants to the State Governments.

(iii) *Industrial Estates*

Like the States' Schemes for the development of small scale industries, the industrial estates programme is also implemented by the States. The expenditure on the programme is met from loans given by the Centre to the States.

(b) *Progress of Expenditure and Central Assistance to States*

32. Details regarding the Third Plan targets and the actual anti cipated expenditure, during the Plan period, under each of the thre main heads are given in Tables 1 to 4 in Appendix IX. The over all position is as follows:

(Rs. in crores)

	Third Plan Targets	Actual/ Anticipated Expenditure (1961-66)	Shortfa
1. Central Schemes . . .	22·00	18·80	3·2
2. States' Schemes . . .	62·60	46·14	16·4
3. Industrial Estates . . .	30·20*	25·21	4·
TOTAL . .	114·80	90·15	24

As already stated, the expenditure on the industrial estates is m from Central assistance to the States in the form of loans. As re gards the States schemes for the development of small scale indu tries, the Committee have been informed that the provision unde this head in the Third Five Year Plan was not broken up into (i Central assistance and (ii) contribution by the States from their own resources. However, the actual assistance given or likely t be given by the Centre to the States in this behalf, by way o loans and grants, during the Third Plan period has been assessed at Rs. 33·37 crores. The details are given in Table 5 of Appen dix IX.

It may be mentioned that the total expenditure of Rs. 71·3 crores on industrial estates and States' small industries schem

*Note : This is the original outlay provided in the Plan. As indicated in Tabl 3 in Appendix IX, some of the State Governments revised their original outlay on industrial estates. The total of these revised outlays comes to Rs. 28· crores.

during the Third Plan period is shared between the Centre and the States as follows:

Centre's Share	
(*i*) Loans for industrial estates . . .	Rs. 25·21 crores
(*ii*) Loans/grants for States' Schemes . .	Rs. 33·37 crores
TOTAL . . .	Rs. 58·58 crores
*States' Share**	Rs. 10·11 crores

It is further noted that the total expenditure on the various small scale industries programme during the Third Five Year Plan period is likely to fall short of the original outlay by 24.65 crores. It is seen that the impact of the shortfall on the various States and Union Territories has not been uniform, and that, both as regards the States' schemes and the indusrial esates, the progress of expenditure *vis-a-vis* the Plan outlays varies from State to State. While in most of the States and Union Territories there are likely to be sizeable shortfalls, in Madras and Delhi the actual expenditure is expeced to exceed the original allocation by a considerable margin. Likewise, so far as the States' schemes are concerned, there is no uniformity among the States in regard to (a) the share of Central assistance in the Plan outlay or in the actual/anticipated expenditure, and (b) the percentage of grants or loans in the total Central assistance to a State. Some typical examples of these variations are given in the following Table:

*Calculated by deducting from total expenditure (71·35 crores)—(a) Centre's Share (58·58 crores) and (b) expenditure on Small Industry Schemes to Union Territories (2·66 crores.)

Expenditure on States' Schemes for Small Scale Industries during the Third Plan Period

(Rs. in lakhs)

	Andhra	Bihar	Gujarat	Madhya Pradesh	Madras	Mysore	Rajasthan	W.Bengal
1. Third Plan outlay . . .	460·00	575·50	170·00	472·02	692·83	250·00	270·00	375·38
2. Total Actual/Anticipated Expenditure (1961—66) . . .	258·59	286·69	117·92	211·79	818·43	90·43	111·75	241·06
3. Estimated shortfall in Plan Expenditure	201·41	288·81	52·08	260·23	..	159·57	158·25	134·32
4. Percentage of shortfall to Plan outlay	43·78	50·18	30·63	55·13	..	63·82	58·61	35·78
5. Total Central Assistance . .	229·01	186·14	89·93	230·97	621·55	77·70	100·46	182·85
(*i*) Grants	100·93	63·61	32·53	80·68	279·84	31·93	35·37	71·77
(*ii*) Loans	128·08	122·53	57·40	150·29	341·71	45·77	65·09	111·08
6. Percentage of Grants to total Central assistance . . .	44·07	34·11	36·17	34·49	45·22	41·09	35·17	39·25
7. Percentage of Central assistance to Plan outlay . . .	49·78	32·34	52·9	48·9	89·71	31·08	37·2	48·7
8. Percentage of Central assistance to actual/anticipated expenditure	88·5	64·9	76·3	109·00	75·9	85·9	89·3	75·00

3. The existing procedure and criteria adopted for determining Plan outlays for each State for the development of small scale ıstries have been described, in a note furnished by the Ministry, ollows:

"Every year, at the time of annual plan discussions with the State Governments, a Working Group consisting of the representatives of Ministry of Industry, Planning Commission, Ministry of Finance and the concerned State Governments, reviews the progress made in the State in village and small industries sector during the last year and approves schemes and outlays for the next budget year. This Working Group indicates broadly the allocation of the outlay between the various village and small industries namely, Khadi and Village Industries, Handloom, Handicrafts, Silk, Coir, and Small Scale Industries, (Small Industry Schemes and Industrial Estates separately). State Governments are advised to plan their expenditure accordingly and money is provided by ways and means, advances and towards the end of the budget year, payments sanctions are issued for the actual expenditure incurred. The State Governments are, however, free to adjust the available amount between the groups of industries covered under the head "Village and Small Industries" according to their requirements.

The development of small scale industries being the responsibility of the State Governments, the Centre gives only broad guide lines for drawing up the programme. The outlay for small industries for each State also is determined on the basis of the State's own resources and not by any set formula evolved by the Centre. It may, however, be stated that the outlay proposed by a State depends on the stage of development of small scale industries, the resources and the staff available for implementing the further programmes in the State."

Asked to indicate the criteria for determining the quantum of ·entral assistance to the different States, the Ministry have stated ıhat:

"The total Central assistance to a State, consisting of loans and grants, is determined on an annual plan basis mainly in the context of the total approved outlay for a sector (for example, the village and small industries sector) as

a whole, the schemes proposed and the pattern of assistance for the proposed schemes.

The total outlay for a sector comprising individual schemes in the States annual plan is determined in the light of the capacity, the possibilities of the development of small industries, the States' proposals etc. and above all, the provision which can be accommodated within the total annual plan, outlay of a State."

With regard to the shortfall in the expenditure on the development of small scale industries during the Third Plan period it has been stated by the representative of the Ministry during evidence that soon after the Chinese aggression towards the end of 1962 "there was a definite decision taken that in respect of all those items (i.e. various programmes for development of small scale industries) there should be a slowing down of tempo and we had to tell the State Governments to reduce the allotments to some extent."

Explaining the reasons for the variations in the extent of the shortfall in the different States, the representative of the Ministry has stated:

"In the case of Madras, they did not reduce it (allotment for small scale industries) at all but they went ahead with it. After all, it is subject to their own resources and their own priorities etc. In the case of Mysore, they did not have enough power, and without power, a programme of small scale industries has no meaning. So, they really gave first priority to power and made a cut in the allotment for small scale industries. This sort of thing applied to the other States also."

As to the effects of the shortfall and the remedial measures proposed to be taken, the Ministry have explained the position as follows:

"The shortfall was the result of deliberate policy and in accordance with the needs of time. Though there is no doubt that there has been an adverse effect on the development of small scale industries on account of these shortfalls it is difficult to make a precise estimate of these effects. It may, however, be pointed out that the governmental expenditure is generally intended to provide infrastructure, common service facilities and other mea-

sures of promotional assistance to small scale industries and the actual units are set up by the private entrepreneurs themselves.

In view of the need for economy, no remedial steps could be taken during the first year of the Fourth Five Year Plan to reverse the trend. As the situation improves and more funds become available, steps will be taken to strengthen the various measures of promotional assistance to small scale industries to further stimulate private investment."

The Committee note that, during the Third Five Year Plan period, the progress of expenditure on the small scale industries programmes in the different States has been determined very largely by the quantum of Central assistance, in the form of loans and grants, sanctioned to a State. For instance, in Mysore and Rajasthan where the percentage of Central assistance to the Plan outlay is relatively low (31·08 per cent and 37·2 per cent respectively), the percentage of shortfall in Plan expenditure is very high (63·82 per cent and 58:61 per cent). On the other hand, in Madras, which has received Central assistance to the extent of 89.71 per cent of its Plan outlay, there is not only no shortfall, but the actual expenditure is likely to exceed the Plan target by about 18·1 per cent.

The Committee regret to note that although the bulk of the total expenditure on the States' small scale industries programmes, during the Third Five Year Plan period, has been met through Central assistance to the States, the flow of Central assistance to the different States has not been on a uniform rate with the result that there are great disparities in the levels of actual expenditure for and actual development of small scale industries among the various States. The Committee fail to understand how the ratio of Central assistance to different States for the development of small scale industries can vary so widely.

The Committee also consider it highly unsatisfactory that there should be no clear relationship or ratio between the Central assistance (loans and grants) a State gets and the contribution that it makes from its own resources towards the development of small scale industries. They would like to cite a few concrete instances in this connection. Thus, in the case of Bihar, Central assistance covers only 32.34 per cent of the Plan outlay on small scale industries; while for Madras the percentage of Central assistance to the Plan outlay is as high as 89·71 per cent. The corresponding figures for West Bengal and Andhra Pradesh are 48.7 per cent and 49:78 per cent respectively.

The Committee also find it difficult to appreciate why in the case of some States like Madras and Andhra, the percentage of grant in the total Central assistance should be considerably higher than in the case of some other States, such as Bihar, Gujarat, Madhya Pradesh and Rajasthan.

On an analysis of the data available, the Committee are constrained to observe that the present procedure for the allocation of Central assistance to States has, in practice, worked to the disadvantage of the industrially less developed States like Bihar, Rajasthan and Madhya Pradesh, inasmuch as they have not been given their proportionate share in Central assistance and Central grants.

In view of the many drawbacks in the present procedure for allocation of Plan funds among the various States for the development of small scale industries, the Committee would like to urge its replacement by a more rational and equitable system, which would encourage the States to make a greater effort for the development of small scale industries as also would contribute towards the balanced development of the country by bringing up the industrially backward States to a higher level. With these objects in view the Committee would like to make a few suggestions.

In the first place, a progressively higher proportion of the expenditure on the small sector should be borne by the States. This is necessary not only to make the States feel a real stake in the success of the various programmes for small scale industries, but also because in view of the many pressing demands on the Centre, it is difficult to envisage any substantial increase in the quantum of Central assistance to meet the growing needs of the small scale sector.

Secondly, Central assistance to the States should be given invariably on a matching basis to the contribution that each State makes from its own resources for the development programmes for small scale industries. However, to reduce the existing disparities in the levels of industrial development, the proportion of Central assistance should be higher in the case of less developed States and of States with untapped industrial potentialities than in the case of the other States.

Similarly, the division of Central assistance to each State into grants and loans should be in accordance with some definite criteria. Here again, it would be desirable to give due weightage to the less developed States so that the element of grants is higher in their case as compared to the more advanced States.

Further, to ensure the proper utilisation of Plan allocations for small scale industries, the C.S.I.O. should undertake regular and systematic evaluation of the actual progress made by the different States in promoting small scale manufacturing activity and give appropriate guidance to each State.

Finally, the Committee would like to record in this connection, that they do not approve of the present practice whereunder the States are free to utilise the allocations for small scale industries for the programmes of khadi and village industries, handloom, handicrafts etc. The Committee recognise that khadi and village industries have an important role in the present state of our economy, but that does not mean that they would be allowed to operate to the detriment of small scale industries. The small scale industries have a definite and distinct role to play in the industrial development of the country; and this role, the Committee would like to stress is very different from that of the khadi and village industries. Thus, the Committee note that the small scale industries have made a significant contribution to the diversification of the country's industrial production and the manufacture of machinery and components and have potentialities of playing an important part in development of import substitution and supplying defence requirements and the khadi and the other village industries are confined to certain traditional lines of production. Again, small scale industries programme aims at encouraging the small entrepreneurs with limited capital to set up fully viable units, providing employment to skilled and semi-skilled workers, which can compete, largely on their own strength, with large scale industries; but the village industries are not expected to compete with other industries and require a large measure of subsidy and are often taken as measures intended to provide self-employed vocation to the large number of under-employed and unemployed rural people—even on the basis of part-time or periodical employment.

Thus, to the extent funds allocated for the small industries programmes are diverted to the village or traditional industries, there is bound to be a slowing down of progress in all those important spheres where only small scale industry can deliver the goods. The Committee, therefore, suggest that, in future, the allocations earmarked for small scale industries should not be utilised by the States for other purposes save in exceptional cases and that too only with prior approval of the Centre.

(II) Deficiencies of Development Programme

34. The Memorandum on the Fourth Five Year Plan states that "while indications of progress are clear, it cannot be said that the development of small scale industries has been placed on sufficiently broad, secure and enduring foundations." The Memorandum lists the following major deficiencies and limitations in the sphere of development of small scale industries:—

"(i) coverage of small industries under the development programme is still rather limited;

(ii) shortages of raw materials have emerged as a serious retarding factor in the expansion of several industries;

(iii) elements which contribute to the intrinsic strength of small industries *viz.*, the adoption of appropriate technology and of proper management methods have not always received sufficient attention;

(iv) certain essential facilities, particularly research, have not been organised on any significant scale for small industries;

(v) the progress in building up ancillary industries has been slow;

(vi) success in promoting industries in the rural areas has been very limited; and

(vii) the wage levels in traditional industries continue to be low and are sustained in appreciable measure by subsidies, rebates, etc."

The Committee are in general agreement with the above conclusions of the Memorandum on the Fourth Plan. In addition, they would like to refer here to a other basic deficiency of the small scale sector—the lack of comprehensive data about the sector—which has been dealt with in Chapter I (See para 8 to 11) and they feel, the data should be properly collected.

The Committee have dealt with the problems of promoting industries in rural areas and allied matters in a separate Report. The problems and difficulties relating to (a) raw materials, (b) adoption of appropriate technology and of proper management methods and availability of facilities for research etc., and (c) ancillary industries

are discussed in subsequent Chapter* of this Report. The question of coverage of small industries under the development programmes is dealt with in the following paragraphs of this Chapter.

(III) Need to enlarge scope of C.S.I.O. Programmes

35. At present the Central Small Industries Organisation's programme of assistance does not cover the entire range of small scale manufacturing activity. Thus, certain traditional industries whose development is the responsibility of the Khadi and Village Industries Commission, the All India Handloom Board, the Handicrafts Board, the Central Silk Board and the Coir Board, are excluded from the purview of the C.S.I.O. In practice, the C.S.I.O. also excludes giving systematic attention to most food and agricultural processing industries. As pointed out by the International Perspective Planning Team, the agro-industries† represent the largest gap among the various Government programmes to foster improved industrial productivity and management in small plants.

The Fourth Plan Working Group on Small Scale Industries has suggested that it is "necessary to bring the entire small scale manufacturing activity under the purview of the small industry programme, in order to effect technological improvements."

While extension of the coverage of small industrial units under the development programmes is desirable, the Committee feel that this should be brought about in a phased manner keeping in view the total resources—financial as well as technical and administrative—available for the programmes and the need to give special attention to these industries which are most important for economic development and defence needs.

However, to sustain the growth of the small scale sector and encourage its diversification, as well as to create additional opportunities for the expanding labour force and make systematic arrangements to process the additional production expected from the special emphasis on agricultural development in the Fourth Plan, the Committee suggest that agro-based industries should no longer remain excluded from the Central and State programmes for the development of small scale industries.

---

*See for (a)—Chapter IV: Problem of Scarce Raw Materials; for (b)—Chapter IV, Part II: Industrial Extension Service; and for (c)—Chapter II, Part II Ancillaries.

†See Table reproduced in Appendix VII.

(IV) Need to Reorientate Development Programme for Small Scale Industries

36. It has been noted in para 34 that the shortage of raw materials has, in recent years, emerged as a serious retarding factor in the expansion of several small scale industries. The International Perspective Planning Team pointed out that, on an average, the allotments of certain scarce raw materials, like steel and non-ferrous metals, made to small scale units covered only 33 to 40 per cent of their one shift requirements. The position has definitely deteriorated since the Team reported in July, 1963, with the result that small scale units are faced today with the problem of serious under-utilisation of their capacities. The Fourth Plan Working Group has stressed that any programme for the development of small industries during the Fourth Plan "must take cognizance of the significant under-utilisation of existing capacities in various industries." As a remedial measure the Working Group has recommended:—

> "The first task would, therefore, be one of consolidating the existing position so as to make for fuller utilisation of the present capacities. It will also be necessary to divert existing capacities from industries with lower priority to those with a higher priority."

The Committee agree with the view of the Working Group that the programme for the development of small scale industries during the Fourth Plan should take into account the serious problem of under-utilisation of capacities in the small scale sector. They have suggested in Chapter IV the introduction of a system of guided development of the small scale sector so as to check and regulate the setting up of new units requiring scarce raw materials. They would like to stress here that keeping in view the need for maximum self-reliance in all vital spheres of production, positive efforts should be made to diversify production in the small scale sector and thereby reduce its dependence on scarce raw materials, and also to enable the sector to play a significant part in the supply of defence requirements, and various agricultural inputs required for augmenting food production and in the manufacture of commodities helpful for earning and conserving foreign exchange. With this end in view, the Committee suggest that the various forms of assistance now made available to small scale industries under the Central and State programmes should be utilised in such a manner as to give preference and priority to the needs of industries which cater to higher national

priorities *viz.* industries falling under one or the other of the following categories:—

(1) Defence requirements.

(2) Industries directly concerned with the development of agriculture such as improved agricultural implements, pesticides etc.

(3) Export-oriented industries.

(4) Import substitution industries.

(5) Units producing components, etc. required in certain vital sectors like Railways, Transport and Power.

(6) Industries for processing agricultural product and other industries not requiring use of scarce raw materials.

(7) Producer goods and essential consumer goods industries.

IV

THE PROBLEM OF SCARCE RAW MATERIALS

A. The Gravity of the Problem

37. Till about 1960, the small scale units did not, generally speaking, experience shortage of raw materials, since allocations to them were being increased year to year on an *ad hoc* basis. However, the sector expanded so rapidly that shortages of various items of raw materials began to be felt in and after 1960-61.

As the foreign exchange situation deteriorated, the position grew worse and a feeling also gradually grew that in the allocation of scarce raw materials, the small scale sector was not getting its due share as against the allocations made to the scheduled sector units.

Today, it is widely recognised that the greatest handicap from which small scale industries have been suffering in recent years is the acute shortage of scarce raw materials. The International Perspective Planning Team, which examined the position in detail in 1962-63, underlined the nature and the gravity of the difficulties faced by the small scale units in regard to availability of the scarce raw materials, as follows:

> "Of all the present difficulties, raw materials supplies available at competitive prices appear to be the greatest. The evidence . . . points out that the inequities in the distribution of raw materials and imports are so severe that they tend to over-ride all other types of assistance offered to small firms by Government."

Since the International Perspective Planning Team reported, the position has further worsened due to the deepening foreign exchange crisis. The vast majority of small scale units using scarce raw materials are now able to utilize only a small part of their installed capacity while many of them are reportedly facing closure for want of such metals.

B. Distribution between Large Scale and Small Scale Sectors

(i) *Facts and Data regarding Availability of Scarce Raw Materials to the two Sectors.*

38. The scarce raw materials may broadly be divided into four

egories, *viz.*—

(i) Raw materials/components licensed by the Chief Controller of Imports and Exports.

(ii) Steel, both indigenous and imported.

(iii) Non-ferrous metals; and

(iv) Basic organic chemicals and intermediates; basic inorganic chemicals like caustic soda, soda ash etc. pharmaceuticals and drugs; plastics, synthetic and natural rubber etc.

Comprehensive data regarding the requirements and supplies of ırce raw materials are not available in so far as the small scale ctor is concerned. However, on the basis of the data/conclusions out in the Reports of the International Perspective Planning am (July, 1963) and the Lokanathan Committee on Scarce Raw aterials (May, 1965), it is possible to form a broad idea of the rela-e position of the large and small scale sectors in regard to the ailability of scarce raw materials.

(a) *Findings of the International Perspective Planning Team*

39. At the instance of the International Perspective Planning am, a Working Group of foreign and Indian economists undertook extensive study of the raw materials and the imports allocation d price control system in the Centre and eight States. Special dies were made of selected firms in various States to determine w the allocations and price control system affected business operas, and of allocation records of State Governments to determine w the system was being run by officials.

The Team pointed out that nearly 60 per cent of the small scale ts analysed by it provided evidence that critical shortages of ential raw materials and components that could only be purchas-at higher open market prices made it unprofitable for them to ex-ıd their production to fuller utilisation of capacity. Another 18 cent of the units stated that they could not get additional sup-es at any price. Nearly half of the small scale units who found it profitable to increase production because of the open market prices raw materials were facing competition with larger units making ılar products which were getting allocations of raw materials at ed prices.

A number of large scale units producing similar products checked by the Team as to the allocations they received at fixed p through the Department of Technical Development and it was f that on the average, they were allocated 85 per cent of their one requirements. In contrast, corresponding small scale units rec allotments to cover only 33 per cent to 40 per cent of one shi quirements. There was also wide variation in the ratios of ments to small scale units for one shift operation. While some units bought all their raw materials and components from the market; the majority of the small scale units were able to meet a one third of their one-shift requirements from alloted raw mate few got above 75 per cent. The Team concluded:—

> "The percentage of capacity covered by allocations appea depend primarily on the size of the firm. It has litt any thing, to do with the priority of the product manufactured. It is all too evident that the alloc system works to the advantage of the larger firms a expense of the smaller ones."

(b) *Findings of the Lokanathan Committee*

40. The Lokanathan Committee has pointed out that, in ge the available scarce raw materials are adequate to meet only a one-third of the requirements of the small scale sector wherea units in the large scale sector are able to utilise between hal two-thirds of their production capacities.

As regards the availability of the specific categories of scarce materials to the small scale and large scale sectors, the basic relied upon by the Lokanathan Committee, which is reproduc Appendix X Tables I to IX, is indicated below:

(i) Allocation of non-ferrous metals to the small scale se 1958—65—Table 1.

(ii) Capacities for various non-ferrous metals in the s scale sector in 1963—Table 2.

(iii) Total availability of foreign exchange for import of ferrous metals and share of the small scale sector, 19 65—Table 3.

(iv) Allocation of non-ferrous metals to the Directorate C ral of Technical Development for large scale units, 19 65—Table 4.

(v) Licenses and foreign exchange made available to the small scale sector by the Chief Controller of Imports and Exports for the import of spare parts/components etc., 1957—65—Table 5.

(vi) Foreign exchange made available to the Directorate General of Technical Development for import of spare parts/components etc. by the Scheduled Units, 1959—65—Table 6.

(vii) Availability of various categories of sheets and share of the small scale sector 1961—64—Table 7.

(viii) Estimated availability of sheets during April-September, 1965 and quantities proposed to be distributed on priority basis—Table 8.

(ix) Despatches of Steel, 1957—64—Table 9.

The important findings emerging from the aforementioned data re:

mported spare parts/components etc. licensed by the Chief Controller of Imports and Exports:

(i) While the actual amount licensed for the small scale sector increased continuously till the end of October, 1961—March, 1962, the increase did not keep pace with the total demand as reflected in the number of applications.

(ii) The total value of the licences allotted to small scale units by the Chief Controller of Imports and Exports since July, 1957 to September, 1963 was Rs. 6233·6 lakhs as against Rs. 6101 lakhs worth of licences allotted to the large scale units for a single half year October, 1964—March, 1965.

n-ferrous Metals:

(iii) Since the half year April—September, 1963 the share of the small scale sector in the total available foreign exchange for import of non-ferrous metals has gone down.

(iv) The allocations of copper and zinc to the small scale sector were gradually rising from 1958 to September, 1961 but the demand was rising much faster and rapidly outstripped supply. From October, 1963 onwards the allocations to this sector have been either stationary or going down.

(v) The annual allocations of non-ferrous metals to the small scale sector are hardly adequate to meet even one-fourth of the total requirements.

(vi) Although indigenous production of aluminium has b increasing, the share of aluminium allotted to the sı scale industries is very inadequate to meet their requ ments. Thus, while the non-ferrous metal requirement the small scale wire drawing units is of the order of 39 tons, the total quantity of aluminium allotted to these u from imported and indigenous sources during Octo 1963—March, 1964 period was only 5,500 tons.

Iron and Steel:

(vii) Pig iron, M.S. Sheet (both galvanized and black pla strips, tin plates, wire rods, M.S. bars and rods and li structurals are the main categories of iron and steel t are required by the small scale sector. The first six ca gories of iron and steel are still scarce.

(viii) Although the supply position of pig iron has been compa tively easy for some years, the allotments made to small sector have fallen much short of the demand wh has been growing continuously.

(ix) The allocations of sheets to the small scale sector w enhanced during 1963-64, but in 1964-65 the allocati were cut down to one fourth of the previous year. Out a total availability of 8,46,000 tons of indigenous sheets o 23,000 tons (or 2.8 per cent) were allotted to small sc units in 1964-65. These allocations were sufficient to co only 2·9 per cent of the demand of the small scale sec

(x) No galvanised and corrugated sheets have been allotted the small scale sector during the last three years (196 65).

(xi) During April—September, 1965, 60 per cent to 80 per c of the total indigenous production of steel has been al ted for priority requirements and the share of the sm scale sector in this category is negligible.

(xii) Although the output of tin plates in the country has ri from 42,600 metric tonnes in January—June, 1963 to 56, metric tonnes in April—September, 1964 and the outsta ing orders have also been small (61,300 metric tonnes as 1-4-1964), no allocation of prime quality tin plate was m to the small scale sector till the period April—Septemb 1965 when an allocation of 6000 tons was made.

(xiii) No allocation of billets is made to non-registered re-rollers but many small scale re-rolling units have come up after decontrol of re-rollable scrap.

(xiv) Apart from inadequate allocations, despatches of allotted steel to small scale units are very much delayed. While the total despatches were increasing, the despatches to the small scale industries declined during 1960-61 and 1961-62, forming only, 1.3 and 1.2 per cent, respectively of the total despatches during these periods.

(xv) As regards imported steel the allocation to the small scale sector during October, 1963-64 March, 1964 formed only 13 per cent of the total foreign exchange made available for the import of steel. The allocations did not meet even a third of the requirements of the sector.

Other Scarce Raw Materials:

(xvi) *Raw Materials for the Soap Industry*:—The production of soap in the small scale sector is almost double that of the large scale sector. But out of a total import of nearly 40,000 tons of caustic soda, only 5,000 tons are supplied by the State Trading Corporation to the small scale sector. Imports of other raw materials for the soap industry is allowed only against export of groundnut oil. It is not possible for the small scale units to organise export of this oil.

(xvii) *Polyethylene*:—Polyethylene imported by the State Trading Corporation is distributed through the I.C.I. (Imperial Chemical Industries) and Union Carbide, who supply on the basis of past consumption. The new small scale units are unable to secure these supplies.

(xviii) Similar difficulties are also experienced by small scale units requiring raw materials for the paints and pharmaceuticals and drugs industries, soda ash, refractory coal, imported paper etc.

As regards the allocations of non-ferrous metals* to the small scale sector, the Ministry of Industry have confirmed the Lokanathan Committee's findings that these are "hardly adequate to meet even one-fourth of the total requirements" of the sector.

*About indigenous production of non-ferrous metals, please *see* para 56.

The Committee note that in recent years, the total allocation of various items of scarce raw materials to the small scale sector have fallen far short of the demand. Moreover, the allocations to this sector have been proportionately much less compared of those made to the large scale sector.

The inequities of the existing distribution of scarce raw materials are dealt with in detail in the following paragraphs.

(ii) *Discrimination between Large Scale and Small Scale Units.*

(a) *Existing arrangements for Distribution between the two Sectors.*

41. The existing arrangements for the distribution of scarce raw materials as between the large scale and small scale sectors have been described in the course of official evidence as follows:

> "At the moment the distribution is not actually related to the installed capacity as between large scale and small scale sectors. Large scale sector is registered on the books of the Director General, Technical Development and their capacities are known and depending on foreign exchange availability they are supplied on a certain basis. In regard to small scale sector, such foreign exchange as becomes available has to be distributed to the various Directors of Industries and depending on the type of industries in the various States, they do the distribution".

(b) *Comments and Suggestions of the International Perspective Planning Team and the Lokanathan Committee.*

42. The International Perspective Planning Team in their Report (July 1963) had held that small scale industries "are seriously handicapped in comparison with larger units by an inequitable allocation system for scarce raw materials and imported components." The Team had pointed out that since the requirements of large scale units were based on their established capacity as licensed by the Department of Technical Development, they received a substantially higher share of their raw materials requirements, through fixed price allocations than the small scale units which had to buy the bulk of their requirements from the open market. As a result small units were at a serious competitive disadvantages *vis-a-vis* the large scale units.

The Team felt that the growth of small scale units would depend in large part on a more equitable sharing of available raw materials

with large industry, and at similar prices. To redress the existing inequities of distribution between large and small units the Team suggested, *inter alia*, that:

(1) The Central Small Industries Organisation and Department of Technical Development should mutually establish a list of priority industries that would become the basis for distributing scarce raw materials. Special attention should be given to industries contributing heavily to defence and key plan projects. Priorities should be determined in terms of end-products and should apply to all producers regardless of size.

(2) The Development Commissioner should clearly indicate to the State Directors of Industries the industry priorities that apply to small factories. He should also specify items that are banned for further production.

(3) Uniform methods for estimating capacities must be applied to firms of all sizes if equitable allocations are to be made. Capacity estimates of firms producing priority products should be up-dated periodically.

43. The Lokanathan Committee (May 1965) have also pointed out that allocations of scarce raw materials to the small sector "continued to be made on an *ad hoc* basis year after year without reference to the actual requirements and performance of the sector as in the case of the large scale sector." On an analysis of the data available, that committee has held that "the *ad hoc* system of allocation has actually worked to the disadvantage of the small scale sector." It has observed:

"It is, thus, evident that the present system is inequitable not only as between the small scale and large scale sectors but as between the units in the small scale sector itself."

To remove the existing inequities the Lokanathan Committee has strongly urged that there should be equality of treatment to all industrial units producing similar end-products irrespective of the sector to which they belong. To quote the Committee:

"We are convinced that a rational, equitable and enduring system of allocation can only be based on accurate, dependable and uniform assessment of production capacities and actual production in the three (large, medium and small scale) sectors. A system of determination of

priorities of end-products is essential in the context of the present raw materials shortage. We are emphatic that there should be no disparity in availability of scarce raw materials between different units producing similar end-products."

On the need of having a system of priority of end-products for the purpose of allocation of scarce raw materials, the Committee has urged that the foreign exchange resources of the country being limted they have to be utilised with the utmost care. Therefore even at the risk of leaving the investment in certain industries under utilised, it will be necessary to feed industries which have higher national priority. The Committee has listed the following, among the priority industries:—

1. Defence requirements.
2. Industries directly concerned with the development of agriculture and food production.
3. Export—oriented industries.
4. Import substitution industries.
5. Transport and power.
6. Units producing components, etc. required in certain vital sectors like railways and others; those producing accessories, components, etc. which are imported and essentially required for keeping plant and machinery in the above industries running.
7. Producer goods and essential consumer goods industries.

The Committee has recommended that in the above industries the existing capaicty should be more fully utilised and that additional raw materials should be secured to the extent possible, to utilise existing production capacities.

In order to realise their basic objective of equitable distribution of scarce raw materials between the large scale and the small scale sectors, the Lokanathan Committee has also stressed the need for proper assessment of capacities in the two sectors on a uniform basis. It has recommended that suitable norms for the purpose be evolved by mutual consultation between the Director General of Technical Development, the Central Small Industries Organisation and State Directors of Industries. The Committee has also expressed the hope that adequate data to form the basis for the implemen-

tation of its recommendations will be available in the States in about 18 months' time if immediate steps are taken to organise their collection and analysis on a uniform basis in all the States.

(c) *Need for Remedial Measures*

44. A number of associations of small scale industries have represented to the Estimates Committee that the existing system of distribution of scarce raw materials between the large scale and small scale sectors is "inequitable and detrimental to the latter."

Questioned about the existence of discrimination in the matter of allotment of scarce raw materials between the large scale and small scale sectors, the representative of the Ministry has observed during evidence, "Such discrimination as it exists is not deliberate, it has grown with the system." As to the remedial measures proposed to be taken by the Government to remove the discrimination, particularly in the light of the recommendations of the Lokanathan Committee, the representative of the Ministry has informed the Committee that:

> "With the implementation of the Lokanathan Committee's recommendations, the discrimination will not be there because the end-purpose alone will be the criterion and there cannot be any differential treatment."

> "The recommendations (of the Lokanathan Committee) have been practically accepted. But, I am afraid, that they will not be implemented or they cannot be implemented until our foreign exchange situation improves."

The Committee would like to recall the Lokanathan Committee's finding that, in general, the allotted scarce raw materials are adequate to meet only about one-third of the requirements of the small scale sector whereas units in the large scale sector are able to utilise between half and two-thirds of their production capacity from allotted scarce raw materials.

The Committee regret to not that although serious difficulties and competitive disadvantage experienced by the small scale units because of wholly inadequate and irregular supplies of scarce raw materials were brought out by the International Perspective Planning Team nearly three years ago, no action has been taken either to replace the system of ad hoc allocations to small scale units by an equitable and rational system or to provide some relief to such units through increased allocations.

The Committee are constrained to observe that although the declared policy of the Government is to favour small scale industry, in actual practice, small scale industry has not only not been favoured but discriminated* against in respect of allocation of scarce raw materials.

The Committee consider it unfortunate that the implementation of the Lokanathan Committee's major recommendations for the equitable distribution of scarce raw materials between the large scale and the small scale sector should be deferred, as suggested by the representative of the Ministry during evidence, till the foreign exchange situation improves. As the country may have to live with foreign exchange shortage for a considerable time to come, the Committee would like to stress that in this context of continuing shortage it is all the more necessary that solutions to the problems of equitable distribution of scarce raw materials to the Small Scale Industries should be sought with expedition.

The Committee can see no valid reason why the small scale industries should be singled out to bear the brunt of the shortage of scarce raw materials. It is evident that if the impression of deliberate discrimination against the small scale sector is to be removed, the share of scarce raw materials allocated to this sector must be at least commensurate with its contribution to total industrial production. The Committee would, therefore, urge that the various measures suggesed by the Lokanathan Committee to ensure the equitable distribution of scarce raw materials on the basis of the priorities of the end-products and irrespective of the size of the units should be initiated with all possible speed and earnestness.

C. Distribution among Small Scale Units and Role of Central Small Industries Organisation

(i) *Existing Arrangements*:

45. The procedure and criteria, presently adopted, for the distribution of scarce raw materials among the various States have been described in a note supplied by the Ministry as follows:—

> "Bulk allocations of scarce raw materials, including non-ferrous metals, *viz.* copper, zinc, lead, tin, aluminium and nickel, and foreign exchange for import of steel is made by the Ministry of Steel and Mines (Department of Mines

*Apart from this discrimination in regard to allocation of scarce raw materials the small scale sector is also very disadvantageously placed *vis-a-vis* the large scale sector in regard to the availability of finance—See Chapter V: Credit Facilities.

and Metals) to the large scale and small scale sectors, every half year. The allocation to the small scale sector is made known to the Development Commissioner, (Small Scale Industries), who, after ascertaining the demands of each State and based on the past allocations and the availability of each metal, makes allotments of the metals to the States' Directors of Industries."

As regard the procedure and criteria for the actual distribution of the scarce raw materials among the small scale units, the Committee have been informed by the Ministry that:—

"Each State Government has its own procedure for the distribution of scarce raw materials to the units in its territory. The Government of India are not aware of the details of these procedures."

In reply to a question about the precise role of the Development Commissioner, Small Scale Industries, in assessing and meeting the raw material requirements of small scale units, it has been stated during official evidence that:—

"The assessment so far has not been done on a unit to unit basis. Each State Government makes an estimate of the requirements of any particular scarce raw material and indicates it to the Development Commissioner. He collects all these various demands, but the actual allocations to him of that particular raw material has nothing to do with these demands. He gets a particular allocation and he distributes it *pro-rata*, on the basis of these demands."

"The individual distribution to units (in the small scale sector) is made by State Directors of Industries. Here we are not aware of the criteria which each individual Director of Industries follows. But generally, our impression is that he is following some sort of basis of capacity."

Comments and Suggestions of International Perspective Planning Team and the Lokanathan Committee.

46. The procedure and methods followed in the different States the distribution of scarce raw materials among small scale units re examined in detail by a Working Group of foreign and Indian nomists set up by the International Perspective Planning Team. the basis of the studies conducted by this group, the Team con-

cluded that "The assessment methods used by individual States vary grately. Some States do not assess capacities, but depend completely on demand levels for some prior years (usually 1958). Officials of other States make assessment but the criteria applied and skills of the inspectors vary so widely that there is no uniformity among States."

Commenting on the role of the Central Small Industries Organisation under the existing distribution system, the Team observed:—

"Under existing allocation procedures the C.S.I.O. has no real policy role. It is limited to collecting estimates of demands (or assessments) for indigenous and imported raw materials from the States. These estimates are not detailed enough to be critically evaluated. The C.S.I.O. does not establish priority criteria for types of firms or products using scarce materials. Neither does it lay down norms or criteria requirements of firms. It does not check on the manner in which quotas are utilised or despatched.

From time to time, the C.S.I.O. asks States to distribute quotas in certain ways, special quotas may go to States, or some further expansions of industry may be banned. The requests are at times honoured or at other times disregarded by the States."

47. The Lokanathan Committee have pointed out that under the existing system "Allotment of ceilings (in respect of scarce raw materials) to the State Directors of Industries and allotment by them to individual units always remained *ad hoc*. The foreign exchange difficulties affected the *ad hoc* allocations more seriously than others." As already noted, the Committee has suggested assessment of capacities of industrial units in both the large scale and small scale sectors on a uniform basis. The other major recomendations of the Committee relating to the procedure for distribution of scarce materials among small scale units are:—

"The State Directors of Industries, as sponsoring authorities, will be responsible for estimating the requirements, allocation and inspection of utilisation. They will also have to play an important role in the distribution of scarce raw materials through State Small Industries Corporations. The C.S.I.O. on the other hand, will have to work as the central coordinating and controlling organisation for this work and be in liaison with other Central authorities concerned with the allocation of scarce raw materials."

"At the national level, Joint Committees, including representatives of the concerned administrative Ministry, D.G.T.D. and C.S.I.O. should allocate raw materials on the basis of overall requirements and availability to the different industry groups. Once the availability to the particular industry group in the small scale sector is decided the C.S.I.O. will redistribute it to the States in accordance with their estimated requirements and will also inform the States about the entitlement of the industry groups so that there may be equitable distribution between the different units in the same industry group in the different States.

"As far as possible, scarce raw materials to small scale units should be channelized through raw material depots opened by State Small Industries Corporations. The raw material depots might be established at convenient places so that small industrialist may not have to travel more than a hundred miles to secure his raw material. These raw materials depots should be recognised as controlled/registered stockists by the Iron and Steel Controller and as agents for distribution of imported material by Minerals and Metals Trading Corporation/State Trading Corporation and such other organisations. State's quotas of other scarce materials, like caustic soda, P.V.C., etc. might also be allotted to small Industries Corporations.

(iii) *Need for Remedial Measures*

48. The representative of the Ministry has admitted during evidence that there is no uniform procedure in the States for the assessment of capacities of small scale units or for allocation of scarce raw materials to them. He has also stated that "At the moment, no criterion has been laid down by the Centre, in this behalf." Further, in reply to a question as to whether the Central Small Industries Organisation or the Government has laid down any guiding principles or priorities for the allocation of scarce raw materials to small scale units the representative of the Ministry has observed that:—

"There have been no guiding principles except for instructions that allotment of scarce raw materials for non-industrial purposes generally should have a low priority."

"At the moment allotment is not made on the basis priorities. It is intended to do so. We have told the State Governments not to give any quantity worth mentioning to utensil makers."

To another question as to why no serious steps have been taken to regulate the distribution of scarce raw materials on the basis of priority of end-products inspite of the acute shortage of such materials, the representative of the Ministry has given the following reply:—

> "Even today, I am not quite sure of carrying the State Governments with me in the matter of enforcing these priorities. Quite a number of them still believe that the utensils makers play an important role in the economy of the State. It is not easy for us to legislate or enforce our views on State Governments who eventually do the distribution. We only give them a block allotment.
>
> Even now we can only give advice to the State Governments saying that this is how distribution should be done."

On the role of the Central Small Inudstries Organisation vis-a-vis the State Directorates of Industries in regard to the enforcement of priorities for the distribution of scarce raw materials among the small scale units, the Ministry have further elaborated the position in a written note as follows:—

> "Scarce raw materials to small scale industries are distributed by the State Directors of Industries. The Central Small Industries Organisation gives from time to time general directions to them regarding priorities for different industrial groups; for example, allocations to utensil making industry are to be given low priority, those for defence-oriented or export-oriented industries are to be given higher priority etc. Subject to these broad directions, the States are free to evolve their own priorities ties in the light of requirements of their respective State and it is known that the States give some priority to new units and to those in backward areas subject to availability of raw materials."

Asked how, in practice, adherence to the "general directions" issued by the Central Small Industries Organisation to the State Directorates of Industries is secured, the Ministry have stated that:—

> "The actual implementation of the general directions given by the Central Small Industries Organisation rests with the Directors of Industries and it is presumed that they, as officers directly responsible for the implementation of the Small Industry Programme, adhere to the general

directions. Where, it is brought to the notice of the Central Small Industries Organisation that these directions are not adhered to the matter is ordinarily taken up informally and the concerned State however, be pointed out that the needs of the different States vary and the State Directors should have, within reasonable limits, the freedom to draw up a procedure suitable to local needs."

The Committee have been informed during official evidence that all the States have set up Raw Material Depots. These depots are under the control of State Small Industries Corporations which have been given the responsibility of distributing raw materials among the small scale units, It has been stated that the Director of Industries is in most cases either the Managing Director or the Manager or the Chairman of the State Small Industries Corporation. He is closely associated with the working of the Corporation and is the deciding authority in matters concerning the distribution of raw materials. The representative of the Ministry has agreed with the Lokanathan Committee's recommendation that the Raw Material Depots should be recognised as registered stockists for all controlled items. He has also expressed the hope that "when the Lokanathan Committee's recommendations are fully implemented, it will be possible for us to lay down broad principles on the basis of which individual units are fed", but has added, "Even so, there may have to be some differences from State to State."

The Committee are constrained to observe that the existing arrangements for distribution of scarce raw materials among the small scale units leave much to be desired. In fact, these arrangements can hardly be said to constitute a system since there is little evidence of any agreed objectives, much less of any planned efforts to achieve the same. Thus, the procedure and priorities, if any, for allocation vary from State to State; at present allocation is not necessarily linked to production capacity and, of course, there is no uniform procedure for assessment of capacities. The Committee feel that any arrangement for the distribution of scarce raw materials which lacks well defined criteria and a clear cut procedure for allocation and an effective machinery for inspection of utilisation is very likely to lead to abuses as it leaves wide scope for the exercise of discretion on the part of the allocating authorities and of manipulation on the part of the receiving units.

The Committee also note that under the existing procedures the Central Small Industries Organisation has no effective role in the matter of allocation of raw materials. The Development Commissoner, Small Scale Industries does not check up or has no way of

checking up whether, or to what extent, the demands for scarce raw materials furnished to him by the different States reflect the actual requirements of small scale units in the respective State. Still, he relies on these demands and distributes the allocation available for the small scale sector among the States on a pro rata basis of demands made by the States. This leaves scope for the States to inflate their demands or to make unrealistic assessments of their requirements.

The Committee consider that so far as the basic criteria and procedure for allocation of scarce raw materials or inspection of utilisation of such materials are concerned, there is hardly any justification for permitting each State to follow its own course in the name of local needs or peculiarities. They feel that as the Central agency responsible for coordinating and implementing the national small scale industries programme, and with its vast array of administrative and technical officers, Small Industries Service Institutes etc., the Central Small Industries Organisation should not have rested content with playing a purely advisory role in such important matters as the allocation and utilisation of scarce raw materials.

The Committee hope that with the implementation of the Lokanathan Committee's main recommendation, viz. the distribution of scarce raw materials on the basis of uniform assessment of capacities of all industrial units and the priorities of their end-products, there will be uniformity in all essential matters concerning the distribution of scarce raw materials. A fresh realistic assessment of the capacity and needs of each State should be made at an early date. The Committee also trust that appropriate measures will be taken, in the light of the Lokanathan Committee's recommendations, to enable the Central Small Industries Organisation to effectively discharge its functions as the central co-ordination and controlling agency for assessing the requirements, allocation and inspection of utilisation, of scarce raw materials.

D. Discrimination between States

49. The International Perspective Planning Team had pointed out that the division of raw material allocations among the States was "not in any sense based on scientific judgments, related to development goals". Some Associations of small scale industries have also represented to the Committee that the existing system of distribution of scarce raw materials has led, *inter alia* to "inequitable distribution between one State and another and between one unit and another in the same State."

The Committee note from a statement placed on the Table of the Lok Sabha on 26-2-1965 (see Appendix XI) that the percentage of allotments of various types of non-ferrous metals to the assessed requirements of the small scale units varies widely from State to State. The Table shows, for instance, that while Kerala and Gujarat get 140 percent of their assessed requirements of nickel, West Bengal gets as little as 54 percent. Again, in regard to copper the percentage of allocation to assessed requirements varies from 6 per cent in the case of Gujarat and 91.33 per cent in the case of Assam. For Zinc, the percentage for Madhya Pradesh is 6.50, for West Bengal 7.00, for Gujarat 38.00 and for Assam 60.66. On being asked whether these figures do not establish the existence of discrimination in the distribution of non-ferrous metals, among the various States, the representative of the Ministry has stated during evidence:—

> "These percentages have been worked out on the basis of a survey that has been made. I attended a meeting of the Directors of Industries to consider these figures and I found that no Director of Industry was prepared to accept the validity of the survey if it affected his industries more adversely than the industries in other States, with the result that the entire basis of the survey is now in dispute....I am quite prepared to admit here that these figures have no great validity....But these were the best figures available at the time and so according to the survey, these figures were given (to the House)".

The Committee note that figures regarding the distribution of non-ferrous metals, which were supplied to the House, had to be revised as further facts came to light.

On the basis of the data available, the Committee can only infer that under the present procedure, the distribution of non-ferrous metals among the States has not been equitable. The Committee hope that such discrimination, would be removed without delay by introduction of a uniform system for the allocation of scarce raw materials to all industrial units on the basis of priorities of end-products end assessment of capacities.

E. Distribution of Aluminium and Steel

50. The availability of aluminium and steel to the small scale sector has been dealt with in section 'B' of this Chapter. It is proposed to deal here in some detail with some special difficulties faced by small scale units in obtaining supplies of these two metals.

A leading non-official organisation has represented to the Committee that although small scale units have been trying to switch over to the use of aluminium in place of scarce non-ferrous metals, they are unable to obtain the required quantities of aluminium. Moreover, the main producers of aluminium have not been supplying aluminium ingots to small industries on the plea that they have got their own end-product units and so do not have any surplus. The Lokanathan Committee has also pointed out that aluminium utensils makers who were previously obtaining their requirements of semis from large scale re-rollers are now unable to get their supplies since the large scale re-rollers have begun to fabricate end-products themselves.

The Committee note that the small scale sector's annual capacity for aluminium has been estimated at 10,369 metric tonnes in 1963. As against this, the allocations of aluminium made to the sector in 1964-65 totalled only 2191 metric tonnes (See Appendix X Table 1). Further, while the non-ferrous metals requirements of small scale wire-drawing plants have been placed at 39,000 tons, only 5,500 tons of aluminium wire rods were allotted to these units for the half-year ending March, 1964.

The Committee consider that out of the non-ferrous metals, aluminium is of special importance in view of its growing indigenous production, its versatility and possibilities of being used as a substitute for imported copper and zinc. They are unhappy to find that although small scale units are prepared to switch over aluminium the share of this metal allotted to them falls much short of their requirements. They consider it particularly unfortunate that even the existing users of aluminium in the small scale sector should find their very existence threatened because of the failure of the large scale producers of aluminium to supply requisite quantity to them.

The Committee need hardly stress that the present situation calls for intensive efforts to replace imported raw materials by aluminium, wherever possible. It is obvious, however, that if small scale units are expected to minimise the use of the imported raw materials, substitute raw materials should be made available to them in adequate quantities. The Committee, therefore, urge that Government should take immediate steps to augment the supply of aluminium to the small scale sector. The Committee feel that in such a vital matter as providing adequate facilities for fuller utilisation of the installed capacity of small scale industrial units any policy decision should not be frustrated or nullified by administrative lapses.

The Committee would also like the Government to take appropriate measures to see that in all cases where small scale units producing end-products are dependent on large scale processing units for obtaining their raw materials or components, the latter are required to set apart a prescribed portion of their products for the small scale units at reasonable prices.

51. It is seen that the allocations of various categories of iron and steel made to the small scale sector are wholly inadequate in comparison to its demands. Further, the despatches of allotted steel to the small scale units are not made even after two to three years of the allocations. It has been stated that these delays have been due partly to the accumulation of previous orders with the producers and partly, specially in the case of sheets, due to their diversion to defence and rehabilitation requirements.

Another major difficulty faced by small scale units arises from the revised procedure for allocation of priority in respect of steel that has been in force since July—September, 1964. According to this procedure, reasons for seeking priority in respect of each individual work order have to be indicated and are scrutinized by the Joint Plant Committee. The number of small scale units being large, it takes a long time for the State Directors of Industries to contact the units, assess their requirements, allot work orders and put up the cases to the Joint Plant Committee.

The Committee would like to recall (See para 5 Chapter I) that the development of metal working the machinery industries is the most significant aspect of small industry development in recent years. They feel that the scope for the further development of the small scale sector in these particular branches of industry is enormous and hope that the necessary facilities in this direction will be provided by ensuring adequate supply of basic raw materials, viz. steel.

The Committee are struck by the anomalous situation where on the one hand the small scale industries are starved of essential raw materials like iron and steel, on the other the steel plants particularly those in the public sector are reported to be having difficulties in working to full capacity in the absence of firm orders from customers. The Committee cannot appreciate why procedural hurdles should be allowed to come in the way of working out the requirements of the small scale industries for steel and in placing a firm

demand on the Joint Plant Committee. They also see on reason why the Central Small Industries Organisation should not have been able to present an integrated picture on behalf of all the States before the Joint Plant Committee so as to facilitate the manufacturing programme for items of iron and steel suited to the requirements of small scale industries sector. As regards distribution, the Committee have no doubt that suitable arrangements can be worked out by the Directors of Small Scale Industries of States, who are already running Raw Material Depots for distribution of scarce raw materials to small scale industries.

F. Distribution of Metal Scraps

52. The Committee are informed that under the existing arrangements, non-ferrous scraps available with the various Government and semi-Government undertakings are sold by public auction. It has been represented to the Committee, that at these auctions the scraps can only be acquired by a monopolist ring of some *Kalwars* and big merchants who always bid by making some kind of axis. The small scale units can only procure the scrap from these *Kalwars* who charge them exorbitantly high prices for the same.

It has been stated during official evidence that Government are trying to work out a scheme "whereby a portion of such scraps would be kept aside for issue to the small industries."

The Committee regret to observe that under the existing arrangements the auction of non-ferrous scrap available with Government and semi-Government undertakings is likely to lead to profiteering and black-marketing and has further aggrevated the difficulties experienced by small scale industries in regard to the availability of scarce raw materials.

The Committee consider that in view of the scarcity of non-ferrous metals in the country and the consequential demand for the scrap of such metals by the small scale industries, there is need to ensure that the non-ferrous metal scrap is made avlaible to the small units at reasonable prices. The Committee suggest that a substantial portion of the scrap available with public/departmental undertakings should be made available to the State Directorates of Industries or State Small Industries Corporation at reasonable prices for equitable distribution to the small scale industries having regard to the end-products manufactured by them and their capacities.

G. Inspection of Utilisation

(a) *Existing Arrangements*

(i) *Large Scale Sector*

53. It has been pointed out in the Report of the Lokanathan Committee that there is no regular system of inspection of large scale units. Every unit borne on the list of the Directorate—General of Technical Development furnishes its production return in the prescribed proforma every month on voluntary basis to the technical directorate responsible for development of the concerned industry. The figures of the individual units are treated as confidential and, as such, these are not normally divulged without the consent of the unit concerned.

(ii) *Small Scale Sector*

The existing arrangements for the inspection of utilisation of raw materials in the small scale sector have been described in the report of the Lokanathan Committee as follows:—

> "The State Directors of Industries are responsible for the inspection of utilisation of scarce raw materials by industrial units. The frequency and the type of inspection vary from State to State. Generally speaking, units are inspected at least once a year by a technical officer of the rank of an Inspector attached to District Industries Officer|Assistant Direcor of Industries. In view of the large number of units to be inspected, the limited number of technical personnel available for inspection work and the level at which it is conducted it is possible that at least in some States the inspection is not as regular and as effective as it is expected to be."

(b) *Need for Improvement*

54. The International Perspective Planning Team had suggested that the Central Small Industries Organisation should take greater responsibilities in checking and supervising consumption of controlled raw materials allotted to the small scale units, as the arrangements made by the State Governments in this regard were not satisfactory.

The Lokanathan Committee has also expressed the view that the system of inspection of utilisation in both the large scale and the small scale sectors needs considerable improvement. The

Committee has noted that so far as the large scale sector is concerned, the existing system "whereby ceilings are allotted in respect of scarce raw materials to the sponsoring authorities on the basis of supposed performance of individual units, is working to the satisfaction of that sector." However, as regards the small scale sector there is a feeling that "at least in some States, inspection is rather rigid."

To remove the deficiencies and lacunae in the existing system of inspection of utilisation, the Lokanathan Committee has suggested that "it will be useful to have (a) annual inspection of all industrial units, large and small, according to a uniform procedure drawn up jointly by the Directorate General of Technical Development and the Central Small Industries Organisation and (b) Central Teams of Inspection consisting of representatives of Director General, Technical Development and Central Small Industries Organisation to visit a few large and small scale units at random."

In reply to a question as to whether the Central Small Industries Organisation has formulated a suitable standard procedure for inspecting the utilisation of allotted raw materials by small units, the Ministry have stated:

> "The Central Small Industries Organisation have not laid down any standard procedure for the inspection of units utilising scarce raw materials. Such inspection is the responsibility of the State Governments and the C.S.I.O. from time to time gives general directions to them regarding the need for inspection of utilisation of scarce raw materials allotted to small scale units."

Commenting on the International Perspective Planning Team's suggestion that the Central Small Industries Organisation should take greater responsibilities in checking and supervising consumption of controlled raw materials allotted to small scale units, the Ministry have observed that:

> "Although the Central Small Industries Organisation is not equipped for taking on extensive responsibilities of this type, the functions of the Small Industries Service Institutes can be extended to coordinate with the State Directorates of Industries in this field."

Replying to a question as to whether there are any checks to ensure that large scale units are not allotted scarce raw materials

in excess of their requirements, the representative of the Ministry has confirmed during evidence that—

> "There is no regular inspection. Even in the case of new units there is no regular periodicity in these inspections. But the tallying of the supply of the raw materials with the quantity of the finishing goods produced is largely checked from the monthly returns which these units send."

However, while admitting that the returns submitted by the large scale units are subjected to only random checks, the representative of the Ministry has maintained that "There is one safety in this; unless there is only one producer, if there is any attempt to fudge any of the returns, the rivals generally bring it to the notice of the Development Wing."

During the course of their study tours and meeting with representatives of non-official oganisation, the Committee have been informed of the existence, in many places, of thriving 'open markets' where the scarce raw materials can be had in any quantity and to which the small scale entrepreneurs take recourse to supplement their meagre allocations. The existence of these open markets has been admitted during official evidence and it has been stated that industrial units, in both the large scale and small scale sectors, sometimes sell the scarce raw materials allotted to them in the open market. Explaining the reasons for this phenomenon the representative of the Ministry has stated that:—

> "The supply to the black market comes both from the small scale and large scale sectors. If in the large scale sector, they feel that without putting in labour, they can make a profit, they are prepared to part with a proportion of whatever metal they get which is (made) available for sale to others. In the small scale sector, most of the people who sell are those who give this excuse, that it is not worth their while, with the quantum of metal that has been allotted to them, to run the unit, if they can only run it for 10 weeks in whole year."

The representative of the Ministry has also admitted during evidence that another source of leakage of scarce raw materials into the open market may be parties which manage to obtain higher and higher allocation of such materials by providing the authorities with artificially inflated figures of production.

The Committee are surprised to note that although allocations of scarce raw materials to large scale units are made on the basis of

their production capacities, there are no effective arrangements to ascertain whether these units actually utilise their allocations for production purposes. This is a serious lacuna as it permits unscrupulous parties to obtain higher allocations by inflating their production figures—a possibility that has been accepted during official evidence. The fact that in general small scale units meet their requirements of scarce raw materials, either partially or even substantially sometimes, from the open market also confirms this apprehension.

The Committee consider that there is no justification for permitting a situation where some large scale units find it possible to obtain raw material allotments in excess of their real needs while a vast number of small units are faced with the grave problems of idle capacity because of inadequate and decreasing supplies of the scarce raw materials.

The Committee need hardly emphasise that the prevalent open market in scarce raw materials is not only an unmixed evil in itself, but is also a sad reflection on the ineffectiveness and inadequacy of the existing arrangements for checking the utilisation of these materials in both the large and small sectors.

The Committee need hardly stress that scarce raw materials, obtained at considerable expense of foreign exchange, should be properly utilised to sustain the industrial tempo of the country and to produce goods at competitive cost, particularly, in the small scale sector. The Committee believe that following two recommendations of the Lokanathan Committee, would go a long way towards ensuring that the raw material allocations are, in fact, utilised by the allottees and not sold in the open market:

(a) annual inspection of all industrial units in both the large scale and the small scale sectors according to a uniform procedure drawn up jointly by the Directorate General of Technical Development and the Central Small Industries Organisation, and

(b) random checking up of a few large and small scale units by Central Teams consisting of representatives of the Director-General Technical Development and the C.S.I.O.

The Committee, would therefore, urge that immediate steps should be taken to set up an effective machinery for inspection of utilisation of scarce raw materials on these lines.

The Committee would also like to suggest that particulars of allocations of scarce raw materials to all units, whether large or

small, should be regularly published and suitably displayed at the offices of the CSIO, the State Directorates of Industries and District Industries Officers, Small Industries Service Institutes, etc., as is done by the Director of Industries, Delhi. They feel that such publicity would act as a salutary check on malpractices relating to the allocation and utilization of scarce raw materials.

H. Need for Guided Development of Small Scale Sector

55. An important factor which has contributed to the rapid growth of the small scale sector is the freedom of the prospective entrepreneurs to choose his line of industrial activity. The small scale sector has been a free sector unlike the large scale sector where one has to obtain a licence to start an industrial unit. While recognising that "this freedom is a definite advantage" to the small scale sector, the Lokanathan Committee has recommended that:—

> "In view of the present and anticipated shortages of scarce raw materials, we feel that the entry of new units requiring scarce raw materials should be clearly known to the Government and be subject to advice and guidance by the Directors of Industries of the State Governments. But the decision to set them up or not will rest entirely upon the new entrants."

Considering that the shortages of scarce raw materials are likely to persist for quite some time the Committee feel that to check the further aggravation of these shortages as also of the concommitant problem of idle capacities in the small scale sector, it is necessary to discourage the setting up of new units requiring scarce raw materials.

The Committee note that Government have been trying to secure foreign loans for meeting the maintenance requirements of industry. The Committee hope that with the grant of loans and resumption of aid by the United States etc., it may be possible to ease the position regarding import of raw materials and spares for maintenance. The Committee would like Government to ensure that the existing units in the Small Scale Industries are provided adequate supplies of raw material and that entrepreneurs intending to set up new small scale units using scarce raw material are provided definite information about the scarce availability of such material. The Committee also suggest that CSIO may devise suitable procedure to be followed in all States, so that prospective entrepreneur are dissuaded from

starting new units in cases where the existing capacities in the small scale sector are not substantially utilised because of inadequate supplies of raw materials.

The Committee would also like to suggest that the Central Small Industries Organisation and the State Directorates of Industries should provide positive incentives to encourage the establishment of small scale units in industries where the raw materials are indigenously available in adequate quantities.

I. Targets and Achievements Regarding the Production of Non-ferrous Metals

56. The Committee have been informed that the targets and actual achievements for the production of non-ferrous metals, particularly, copper, zinc, lead, aluminium and tin for the Third Five Year Plan are as follows:—

Metal	Capacity target	Production target	Actual Production (1964-65)
Copper	22,000 tonnes	22,000 tonnes	8,400 tonnes
Zinc	15,000 ,,	15,000 ,,	Nil
Lead	8,500 ,,	8,000 ,,	3,500 ,,
Aluminium	1,10,000 ,,	1,00,000 ,,	92,500 ,,

It has been stated that as there is no known source of elemental sulphur in the country, no target was fixed for its production during the Third Five Year Plan. However, the Pyrites and Chemicals Development Company Ltd., a public sector undertaking, have located a process in Finland for recovery of elemental sulphur from pyrites. A consignment of about 800 tonnes of Amjhore pyrites was sent to Finland and pilot plant tests carried out in April|May, 1965. The report of the Finish firm who conducted the tests has been received and its being examined by Pyrites and Chemicals Development Company Ltd. According to the report, recovery of elemental sulphur directly from Amjhore Pyrites is technically not feasible. Recovery of elemental sulphur after concentration of the ore is, however, technically feasible.

The reasons for the shortfall in the production of copper, zinc, lead and aluminium have been explained in a note furnished to the Committee as follows:

Copper

Khetri Copper Project (capacity 11,000 tonnes) and Sikkim Project (capacity 2,000 tonnes) have not been completed. They are now expected to be completed during the Fourth Plan period.

Zinc

The Udaipur Zinc Smelter (capacity 18,000 tonnes) will be completed only in 1966.

Lead

The expansion of the Tundoo (Bihar) Smelter from 6,000 to 8,500 tonnes will be completed only in 1966.

Aluminium

The shortfall of about 18,000 tonnes is due to the delay in the implementation of the Koyna Aluminium Project which has not been taken up for implementation in the public sector.

It has been stated that a committee has been set up to review the present position regarding the capacity for production of non-ferrous metals and to reorient the production pattern to suit the defence requirements.

The Committee regret that no serious attention was given to the implementation of the Third Plan targets for copper, zinc, lead, sulpher etc.

The Committee consider it extremely unfortunate that the production achieved in copper is only 38.2 per cent of the target and that India continues to be largely dependent on imports for this important non-ferrous metal. They are also distressed to note that the projects for expansion of zinc and lead refining should not have been completed within the Third Plan period. The only metal which could facilitate substitution is aluminium, but here again there has been a shortfall in the public sector plan for its manufacture at Koyna. They note that Government have appointed a committee to take stock of the existing capacity for production of non-ferrous metals and to suggest suitable measures for its augmentation and reorientation to meet the defence requirements. The Committee

would suggest that Government should carefully review the position after taking into account the requirements particularly of defence and small scale industries and take necessary measures to ensure that the production targets in these key metals are reached in the shortest possible time so as to reduce dependence on imports and to save valuable foreign exchange.

V.

CREDIT FACILITIES

A. Problem of Finance for Small Scale Sector

57. It is a well known fact that the small scale sector in general functions with the basic malady of a weak capital structure. This inherent weakness is the result of the size and status of the small scale units as well as of their inability to secure external finance. The factors underlying the problem of inadequacy of finance for small scale units have been described in a note submitted by the Ministry as follows:—

> "In a way, this problem is not inseparable from other problems of the small scale industries like marketing, availability of raw materials, quality and standards of their products and a proper accounting system. On the one hand, the financial institutions find small industrialists poor credit risks as their fortunes are in most cases bound up with a single individual, a family or a partnership, their products lack an assured market and they are quite often unable to offer the types of security which credit institutions normally require. Also, advances to small scale units are uneconomic from a bank's point of view, as compared to other advances. On the other hand, the small scale units start with a weak capital base and have low rates of return and hence are not in a position to fulfil the requirements of the credit institutions besides being often unable to stand the stresses and strains of a developing enterprise."

B. Source of Credit for Small Scale Industries

58. Broadly speaking, the financial requirements of an industrial unit may be grouped under two heads viz:—

(a) long term and medium term for creation of fixed assets like land and building; plant and machinery, etc.

(b) short term for working capital to hold stocks of raw materials, finished goods etc., and to meet the day to day needs of running the enterprise.

The different governmental and institutional agencies/schemes catering directly to the long and medium term financial requirements of small scale industries are:

(a) State Governments under the State Aid to Industries Acts;

(b) State Financial Corporations;

(c) State Bank;

(d) State schemes for participation in equity capital of small scale units;

(e) Accommodation in Industrial Estates;

(f) National Small Industries Corporation scheme for supply of machinery on hire-purchase basis.

Of the above, the assistance under items (e) and (f) is reviewed in Chapter VI: on 'Industrial Estates'.

As regards short term finance, the principal sources of working capital for the small scale industries are (a) the State Bank of India, and (b) the commercial banks. The State Financial Corporations also advance short term loans to small scale units upto a certain percentage of the long term loans granted by them.

(I) Loans under State Aid to Industries Acts

59. The programme relating to disbursement of loans under the State Aid to Industries Act is administered by the State Directors of Industries in every State. Financial assistance under this scheme is available not only to small scale industries but also to village and handicrafts industries. However, handloom and powerloom units are excluded from this scheme as separate funds have been provided for these through the Handloom Board.

It has been stated that as the flow of funds under this scheme was not considered to be adequate, the Central Government requested the State Governments in 1955 to liberalise the conditions and procedures for granting loans. Most of the State Governments have, accordingly, amended the Acts in recent years. At present, in almost all the States, loans upto Rs. 1,000 are advanced on personal bonds, upto Rs. 5,000 against one or more personal sureties and above Rs. 5,000 against security or mortgage at 75 per cent of the security offered including the assets created out of the loans. The loans are repayable in instalments over ten years. The rate

more simplified so as to enable the smaller people to get adequate loans under the State Aid to Industries Scheme".

The Committee note that in many States the amounts actually disbursed to small scale industries under the State Aid to Industries Act are likely to fall considerably short of the provision made in this behalf in the Third Five Year Plan. As the coordination of the State Aid to Industries Scheme is the responsibility of the Central Government which also supplies 2/3rds of the amount earmarked for purposes of advances in each State and gives subsidy to cover the difference between the normal rate and concessional rate of interest, the Committee suggest that the Central Governmnt/Central Small Industries Organisation should take positive measures to identify and to secure the removal of the causes for the unsatisfactory progress of the scheme in States such as Rajasthan, Bihar, Mysore, Madhya Pradesh, etc. so that the development of small scale industries is carried on in each State according to the programme.

(II) STATE FINANCIAL CORPORATIONS

60. The State Financial Corporations have been set up under the State Financial Corporations Act of 1951 to provide credit facilities to small and medium industries. They have been empowered to transact the following business:

(i) To grant loans or advances or subscribe to debentures of industrial concerns. repayable within a period not exceeding 20 years from the date on which they are granted, or subscribed to, as the case may be.

(ii) To guarantee loans, on terms and conditions as may be agreed upon, raised by industrial concerns, which are repayable within 20 years and are floated in the capital market.

(iii) To underwrite the issue of stocks, shares, bonds or debentures by industrial concerns provided they are disposed of as early as practicable but in any case within a period of seven years from the date of such acquisition.

(iv) To act as an agent for the Central Government, the State Government or Industrial Financial Corporation in transaction of any business with industrial concerns in respect of loans or advances granted or debentures subscribed by any of them.

In practice, these Corporations advance loans to meet the long, medium and short term requirements of small scale units though

the short term loans bear a fixed percentage relationship to long term loans. The rate of interest charged by the Corporations is, ordinarily, 6½ per cent to 7½ per cent with a rebate of ½ per cent for prompt payment. Generally speaking, they advance upto 50 per cent to 75 per cent of the value of assets offered as security including those created out of the loans. Apart from advancing loans from out of their own funds, some of the State Financial Corporations also act as agents of the respective State Governments for sanctioning and disbursing loans under the State Aid to Industries Act. The agency arrangements are now in vogue in nine States (1) Uttar Pradesh, (2) Andhra Pradesh, (3) Punjab, (4) Maharashtra, (5) Kerala, (6) Assam, (7) Rajasthan, (8) Orissa and (9) Gujarat.

Statements showing loans sanctioned and advanced by the State Financial Corporations (a) out of their own funds and (b) as agents of the State Governments under the State Aid to Industries Act are given in Appendix XIII. It is seen that as on the 30th September, 1964, the State Financial Corporations had disbursed out of their own funds, (a) loans amounting to Rs. 12.11 crores to 2021 small scale units and (b) loans amounting to Rs. 46.68 crores to 1183 "other units".

Further, as agents of the State Governments the concerned State Financial Corporations advanced loans amounting to 3.0145 crores to another 3456 small scale units.

The Committee have received a number of representations to the effect that small scale industries find it difficult to obtain loans from the State Financial Corporations because of the cumbersome procedures and the rigorous formalities insisted upon by these Corporations. Complaints have also been made that the State Financial Corporations generally prefer to advance loans to a few bigger industries rather than to a number of small scale units because in the case of the former, there is 'greater security' for the investment and 'less of botheration'. To remedy this situation, a suggestion has been made that a portion of the funds available with the State Financial Corporations should be reserved for advancing loans to small scale industries.

Referring to the difficulties experienced by the small scale entrepreneurs in obtaining finance from the State Finance Corporations, the representative of the Ministry has stated during evidence:

> "We are constantly discussing (this) with the State Finance Corporations, the Reserve Bank and so on. For instance, the margin* required varies between 25 to 50 per cent.

> Many of the small industries are not in a position to me this requirement. In fact, in all these matters we ha been reiterating that the State Finance Corporati should try to be more forthcoming. But I won't say th we have been very successful....the money given by th State Finance Corporations to small industrialists con nues to be small."

He has also confirmed that "almost the whole amount" availa with the State Financial Corporations is advanced to a few b parties and thus, very little is left for giving loans to the really sm scale units.

Further, commenting on the suggestion for earmarking a defini portion of the funds available with each State Financial Corpor tion for advancing loans to small scale industries, the Ministry hav observed:

> "While earmarking of a specific portion of finance availab with State Financial Corporations to Small scale sect might be of some help there is an urgent need to increa the total resources available to the State Financial Co porations. Moreover, they should also be induced to ado a more sympathetic and developmental attitude toward small scale sector, liberalise their procedures and cu down unnecessary formalities".

The Committee feel that both as regards the number of sma scale units assisted and the total amount of loans disbursed to such units the performance of the State Financial Corporations has not been impressive. They also consider it unfortunate that the State Financial Corporations should have developed a preference for investing their funds in the medium scale units and to the bigger among the small scale units, with the result that the really small units, which need institutional credit most, are left to fend for themselves.

The Committee suggest that a specific portion of the finance available with each State Financial Corporation should be earmarked for the small scale sector. The Corporations should also be given clear instructions to liberalise their procedures and cut down unnecessary formalities, and induced to adopt a developmental outlook towards small scale industries.

---

*Difference between value of assets offered as security and then amount of loan advanced against such secudity.

Government may also consider the feasibility of channelising loans small scale industries through the State Small Industries Corporations who are fully acquainted with the requirements of this sector.

(III) The State Bank

61. The State Bank's assistance towards meeting the credit needs small scale industries can be grouped under three broad categories:

(a) Coordination of Institutional Credit;

(b) Provision of Liberalised Credit;

(c) Medium Term Loans.

(a) *Coordination of Institutional Credit*

It has been stated that inspite of the existence of a few credit encies, the flow of finance to small scale sector was impeded due among other reasons, want of coordination in their activities. To minate this overlapping of functions and delays in receiving loans the small units the "Pilot scheme of the State Bank of India for e coordinated provision of credit" was inaugurated in March, 1956 nine Centres. By December, 1957, it was extended to 36 centres. nce January, 1959, the scheme is in operation at all branches of the ank.

Under the coordinated scheme, a small scale borrowing unit is required to apply to the local agent of the State Bank of India (or of e local cooperative bank if it belongs to the cooperative sector) for its credit requirements. The application is scrutinised by the local orking Group of which the local agent of the State Bank is the convener and participating agencies are members. The Working Group hen refers the applications to the appropriate agency, depending pon the type of credit asked for.

In each circle of the State Bank the scheme is operated under the supervision and guidance of a local coordination committee. There is also a Central Coordination Committee consisting of all the chairmen of the local coordination committees, representatives of the Government of India, the Reserve Bank of India and the State Bank of India. It coordinates and reviews the working of the scheme in various areas and takes policy decisions for improving the working of the scheme.

It has also been stated that while the State Bank of India renders assistance to other agencies in providing information on the credit worthiness of the small scale units, the Directorates of Industries and Small Industries Service Institutes furnish technical reports and indicate the prospects of the concerned industry.

(b) *Provision of Liberalised Credit*

The State Bank of India is said to provide the following types of assistance under its liberalised credit scheme:

(i) Advance against the pledge of raw materials and finished goods awaiting despatch.

(ii) Advances on what is known as the "factory type" basis granted during the time the stocks are in process or in cases where units do not purchase raw materials in bulk.

(iii) Advances granted against the bills covering supplies of finished goods made by units to purchasers.

(iv) Clean credits against the guarantee of a suitable person and/or the security of fixed assets or other collateral being taken wherever necessary or possible.

It has been stated that as a result of the liberalised credit scheme, the State Bank advances to small scale units have increased from about Rs. 11 lakhs in 1959 to Rs. 10 crores in 1961 to about Rs. 24 crores by the 30th June, 1964 and Rs. 34.25 crores by the 31st March, 1965. In addition, the subsidiaries of the Bank advanced loans to the scall scale units aggregating Rs. 10.71 crores at the end of March, 1965.

(c) *Medium Term Loans*

The State Bank of India has recently formulated a scheme to grant medium term loans to small scale industrial units. The Bank has also a scheme to supply machinery under instalment credit scheme.

The schemes are still being worked on an experimental basis. The progress so far made is indicated in the following statement:

Circle	No. of applications sanctioned			Amount sanctioned (Progressive figures (in thousands))		
	Medium Term Loans					
	30-6-63	30-6-64	30-9-64	30-6-63	30-6-64	30-9-64
Bengal	..	1	2	..	2,50	5,00
Bombay	2	8	11	1,20	8,34	10,84
Madras	..	26	37	..	21,38	34,63
Delhi	1	2	2	82	2,47	2,47
	3	37	52	2,02	34,69	52,94
	Instalment Credit (A Form of Medium Term Loan)					
Bengal	..	25	29	..	16,57	15,40
Bombay	..	12	27	..	3,28	10,55
Madras	1	10	21	53	3,54	8,8
Delhi	..	2	2	..	52	1,31
Kanpur	..	..	3	..	..	6,15
	1	49	82	53	23,91,	[illegible]

The Committee are happy to note that short-term credit advances to small scale industries by the State Bank have increased from Rs. 11 lakhs in 1959 to Rs. 44.96 crores in March, 1965. The Committee also like to put on record the general appreciation expressed by the small scale industries, of the financial help rendered by the State Bank of India. They hope that the Bank will be able to progressively increase the volume of its assistance to the small scale sector considering the sector's growing credit and credit worthiness needs.

(IV) State Participation in Equity Capital

62. The Estimates Committee (Second Lok Sabha) in their Seventy-seventh Report (March, 1960), had recommended:—

> "The Committee are of the opinion that it is necessary to evolve a scheme for making equity capital available to small industries—either in the form of share capital or atleast in the form of loans—as a result of which the flow of private capital to this sector may be stimulated. What is more, the enterprising among the technically educated unemployed persons of small means may be promoted to form industrial cooperatives especially in the under-developed areas."

The recommendation was accepted by the Government.

The Committee have been informed during official evidence that in pursuance of their afore-mentioned recommendation, the Central Government had written to all the State Governments requesting them to give effect to the recommendation. However, the only State which has actually implemented the idea of State participation in the equity capital of small enterprises is Orissa, where a scheme to encourage qualified technical persons with limited capital resources to take up small scale enterprises had been initiated in 1957-58. Recently, Maharashtra has also evolved a scheme for equity participation in the share capital of small scale industrial units. The scheme is expected to be implemented shortly. In this connection, the Ministry have also stated that the implementation of the scheme of equity participation is the responsibility of the State Governments, which depending on their financial resources, the willingness of the entrepreneurs to risk their own capital in small scale units, etc., adopt schemes considered most suitable for their respective States.

The Committee are informed that under the Orissa Scheme "Government subscribed capital to a minimum extent of ninety per cent in the private limited/companies so formed and the entrepreneurs subscribed the balance. The intention is that the enterpreneur will gradually buy up all the Government shares and become full owners of the industries." About the progress of the scheme, the representative of the Ministry has stated during evidence that, "Though in the earlier stages, there were some doubts about the success of the scheme, we now find that, by and large it has produced good results." A brief review of the working of the Orissa scheme

is been given in a note furnished by the Ministry. The more teresting points emerging from this review are:—

(1) Although 15 companies were floated under the scheme in 1957-58 and another 15 in 1958-59, only 5 companies were in production in 1960-61.

(2) Out of the 42 companies floated during the period 1957—61, only 31 were in production by 1961-62.

(3) No new companies have been started under the scheme since 1961-62.

(4) The total capital investment by the State Government under the scheme during the period 1957--63 was Rs. 54,81,380.

(5) Out of the 31 companies in production, the number of companies earning profit was 9 in 1961-62 and 16 in 1962-63.

As regards the Maharashtra scheme for equity participation in share capital of small scale units, its main features are stated to as under:—

(i) The technicians and technologists will be encouraged to start their own industries.

(ii) The technicians and technologists should be in a position to raise at least fifty per cent of finance required for the project. The other fifty per cent or, under exceptional circumstances more, would be made available in equity.

(iii) There will be no participation in a partnership firm or a proprietorship. It will have to be a Private Limited Company.

(iv) The capital structure of the unit should be such that it will remain at least for more than five years a small scale industrial unit and not cross the statutory limitations of block capital.

(v) The industries which are defence oriented, export oriented, import substitution oriented and in some cases agro-industries oriented, will be given preference.

(vi) These units should normally start in the under-developed areas in the State.

(vii) There will be accounts control. Excepting this, in all other organisational and technical matters, the unit will be free to function as a normal company.

(viii) There will be a member or two on the Board of Directors, who will guard the interests of the Corporation.

The Committee note that out of the 42 companies floated under the Orissa Scheme during 1957—61, only 31 have been in production since 1961-62 after which years no new companies have been started under this scheme. Further, although 30 of the 42 companies had been established during 1957-59, even in the year 1962-63 only 16 companies earned profit. Keeping these facts in view, the Committee consider that the Orissa experiment in State participation in equity capital of small scale units cannot be claimed to be a success.

The Committee are of the view that the basic defect of the Orissa Scheme lies in the very high percentage of State participation in the share capital which tends to leave little incentive for the entrepreneur to run the industry with drive and imagination. The Committee feel, moreover, that with the State contributing as much as 90 per cent of the initial capital, the possibility of the scheme attracting spurious entrepreneurs who may manage to go into liquidation after obtaining the funds from the Government cannot be ruled out. The scheme also leaves scope for political and personal patronage. From the performance of the companies started with Government participation in Orissa, the Committee apprehend that in many cases the entrepreneurs might not have been properly selected.

The Committee consider that the entrepreneur's stake in the small scale unit should not be unduly reduced so that the urge for keeping the unit solvent and efficient is not diminished.

Further, there should be regular arrangements for the inspection of the units concerned to ensure that the funds made available to them by the State are properly utilised for the purpose for which they are given.

Though the Maharashtra scheme of Government participation in equity shares appears to be an improvement on the Orissa scheme, the Committee would like the Central Small Industries Organisation to take an active interest in the operation of such schemes keeping in view the experience of Orissa State and give appropriate guidance and advice to the concerned State agencies.

(v) Commercial Banks

63. Commercial banks play a key role in the provision of short term industrial finance in all advanced countries. It has been stated that

in countries like the "United States and Japan nearly 20 per cent of the commercial banks advances are granted to small business. In the case of small banks this percentage is as high as about 80 per cent." In 1961, 53.6 per cent of the total loans outstanding in the small scale sector in Japan were from banks. On the other hand, in India the role of commercial banks in the financing of the small scale sector is not only small but has recently shown a tendency to become still smaller. As pointed out in a study conducted by the C.S.I.O.:

> "Whereas total and industrial advances of scheduled banks have increased from Rs. 645 crores to Rs. 1,235 crores and from Rs. 221 crores to Rs. 630 crores during 1955—61 respectively, their advances to small scale industries have increased from Rs. 24 crores to Rs. 27 crores in the same period. This shows some increase in bank credit to small scale sector but its proportion has actually fallen. Advances to small scale industries formed only 2.18% and 4.28% of their total advances and industrial advances in 1961 respectively compared to 3.72% and 10.86% in 1955. If we exclude State Bank of India from scheduled banks, to isolate the effects of its scheme of liberalised credit to small scale industries, scheduled bank advances to the small sector formed less than 2% of their total advances."

Thus, the share of the small scale sector in the total industrial advances made by scheduled banks has fallen from 10.86 per cent in 1955 to 4.28 per cent. in 1961. At the end of June, 1963, advances by the State Bank of India and the other commercial banks to small scale industries stood at Rs. 42.47 crores and formed only 4.6 per cent of the total bank advances to industries.

A table showing advances to small scale industries towards working capital by the State Bank and other scheduled banks, as on June, 1963, is reproduced in Appendix XIV. It is seen that out of the total bank advances of Rs. 42.47 crores to small scale industries, at the end of June 1963, Rs. 10.19 crores has been advanced by the State Bank and its subsidiaries, Rs. 28.37 crores by other Indian scheduled banks and Rs. 3.91 crores by foreign banks.

It has been stated that as compared to scheduled banks, non-scheduled banks have been advancing a much larger portion of

their funds to small scale units. The data on advances by non-scheduled banks is available only upto October, 1960. Their advances on that date to small scale industries were Rs. 1.74 crores and formed about 45 per cent of their total industrial advances.

(i) *Maharashtra Scheme of Guarantees to Commercial Banks.*

64. The Committee are informed that in September 1963, the Maharashtra State started a scheme whereunder two selected commercial banks—the Bank of Maharashtra and the Sangli Bank—advance credit between Rs. 1,000 to Rs. 10,000 to small scale industrial units. Under the scheme, the State Government does not supply any funds but simply guarantees the payment of interest and repayment of the principal to the extent of two-thirds. Loans are granted for working capital as well as for block capital. Other important features of the scheme, as detailed in a note furnished to the Committee by a leading non-official organisation of small scale industries, are:

(i) In the beginning the borrower was paying 3 per cent interest and the Government was contributing at the rate of 3½ per cent. But at present the borrower and the Government are paying 4 per cent each.

(ii) Loans upto Rs. 1,000 can be granted on the personal surety of the borrower. Loans ranging from Rs. 1,000 to Rs. 5,000 are granted against the personal surety of a third party declared to be solvent by the District Collector. Loans above Rs. 5,000 are sanctioned by mortgaging plant, machinery, building or any other immoveable property. Loans below Rs. 3,000 are disbursed through the Revenue Department and loans from Rs. 3,000 to Rs. 10,000 are granted by the Banks. Loans beyond Rs. 10,000 are not given under this scheme but are advanced by the Maharashtra State Financial Corporation.

(iii) Loans granted for the purpose of working capital are repayable in five years in equal yearly instalments. Other loans are repayable within ten years.

(iv) Loans can be recovered as arrears of land revenue. The entire amount of the loan becomes repayable at once if there is a default in repayment.

Details of loans sanctioned by the two banks under the Guarantee Scheme are indicated below:

Period	The Bank of Maharashtra Ltd., Poona		The Sangli Bank Ltd., Sangli	
	No. of units	Amount in Rs.	No. of units	Amount in Rs.
1963-64	144	9,33,450	..	...
1964-65 . . .	173	10,71,750	10	76,000

Asked for his views regarding the Maharashtra Scheme for credit guarantees to selected Banks, the representative of the Ministry has said:

> "It is a good scheme; there is no doubt about it. We have not been able to get complete information about the scheme. We will study it further and see whether we should not ask the other State Governments to follow a similar scheme."

(ii) *Reserve Bank Credit Guarantee Scheme*

65. To augment the flow of institutional credit to the small scale sector, the Reserve Bank of India, as agent of the Central Government, has been operating, since July 1960, a Credit Guarantee Scheme which provides for the reimbursement of losses incurred by certain approved credit institutions on advances to small scale units. The scheme is now in operation throughout the country. It has been stated that so far 93 credit institutions have been specified for the grant of facilities under this scheme. Of these, 48 are Scheduled Banks, 21 State Cooperative Banks, 14 State Financial Corporations, Madras Industrial Investiment Corporation and the State Bank of India and its subsidiaries. Non-specified credit institutions can avail of the credit facilities provided a specified credit institution participates in the advances to the extent of not less than 25 per cent. The scheme guarantees meeting of losses partially in respect of advances granted by specified credit institutions.

The Committee are informed that till 30th June, 1965, 20,200 applications for an amount of Rs. 85.46 crores were received against which guarantee certificates were issued for 16,224 applications involving

an amount of Rs. 66.22 crores. The number of claims paid in this respect came to 54 involving an amount of only about Rs. 6.2 lakhs.

It has been pointed out and admitted by the Ministry that the advantage of the Reserve Bank Credit Guarantee Scheme has been taken mostly by the State Bank which, as a matter of policy, has been covering under this guarantee all loans advanced by it to small scale units, and that of the other commercial banks very few have utilised the scheme.

The Committee are unhappy to note that the role of the commercial banks in meeting the credit needs of small scale industries has been not only negligible but has been showing, in relative terms, a tendency to become smaller in recent years. The Committee are particularly distressed to find that even the Credit Guarantee Scheme of the Reserve Bank has had little success, so far, in inducing the commercial banks to provide greater credit assistance to small scale industries.

The Committee need hardly stress that an adequate supply of bank credit is a prerequisite for the steady growth of the small scale sector. They would, therefore, suggest that early steps be taken to induce commercial banks to make a greater contribution towards meeting the credit requirements of small scale industries.

In particular, the Committee would like the Government to consider the feasibility of modifying and liberalising the Credit Guarantee Scheme of the Reserve Bank so as to induce a larger number of commercial banks to utilise the scheme.

The Committee are surprised to find that although the Maharashtra Scheme of credit guarantee to selected banks in respect of loans granted to small scale industries has been in operation since September 1963, as late as November, 1965, the Ministry and the Central Small Industries Organisation had not been able to get adequate information about the scheme. The Committee would like the Central Small Industries Organisation to closely study the working of the scheme, consider whether any improvements could be made, and commend the beneficial features of the scheme to other State Governments for adoption by them.

C. Availability of Credit to Small Scale Sector as compared to its needs

66. According to a study conducted by the Central Small Industries Organisation, the total institutional and Government credit,

both for fixed and working capital, made available to the small scale sector, during the Second Five Year Plan period, amounted to Rs. 70 crores which formed only 6 per cent of the total fixed and working capital investment in the sector, estimated at Rs. 1,140 crores at the end of the said period. Further, the contribution of institutional credit of Rs. 32 crores (for fixed credit investment only) formed just 12 per cent of the Rs. 258 crores of additional investment injected into the sector during the Second Plan period.

The Fourth Plan Working Group on Small Scale Industries has pointed out that as against the total availability of institutional credit (both for fixed and working capital) of Rs. 70 crores during the Second Plan period, the small scale sector's requirements of working capital alone were about Rs. 280 crores to Rs. 300 crores in 1961.

The Working Group has also held that financial assistance (both long term and short term) made available to the small scale sector is very meagre in comparision with that to the large scale sector *vis-a-vis* their respective contributions to industrial output. It has pointed out that "for each rupee provided by the Government about Rs. 5 was being put in by the private sector in the large scale sector." On the other hand, so far as the small scale sector is concerned, "for every rupee invested by the combined resources of the National Small Industries Corporation and Government towards total capital, the entrepreneurs have invested about 8.2 times themselves from the combined sources of private savings and friends, relatives and money lenders."

The representative of the Ministry has admitted during evidence that the present rate of institutional contribution for the promotion of small scale industries is not adequate and that "there is a large leeway still to be made" in this field. He has also agreed with the view of the Fourth Plan Working Group on Small Scale Industries that the financial assistance made available to the small scale sector is very meagre in comparison to that extended to the large scale sector, considering their respective contribution to industrial output. He has maintained, however, that during the last seven or eight years the assistance rendered to small scale industries by the various financial institutions has gone up and has stated "previously nobody would look at the small unit at all. Now, we have persuaded the Banks to come and give assistance to some extent to small industry. The State Bank has gone in a very big way to help the small industries."

Asked whether Government have any proposals to augment the supply of credit to small scale industries, the representative of the Ministry has said,

> "We are thinking of having a committee to go basically into this question of credit to small scale industries and we expect some new fundamental solutions will be suggested by them. But meanwhile there is a proposal to set aside a certain amount for being given as loans to technician entrepreneurs where the criteria of security will not be that tight; about Rs. 10 crores will be set aside for the purpose."

Further, expressing his views on the need for setting up a separate institution to cater exclusively to the financial requirements of small scale industries, the representative of the Ministry has observed:—

> "The Reserve Bank do not favour the multiplication of these banking institutions. We have suggested various methods like the setting up of Industrial Cooperative Banks to meet the requirements of the small organisation. But the Reserve Bank are not inclined to agree. They say that after all such banks have to draw their deposits from the same common source. They also say that we should not go on multiplying such institutions."

> "I think we should clearly say here—at least personally I am quite prepared to say that—that unless you encourage the coming into being of some units to help these small industries in the same way as the Industrial Finance Corporation of India, the Industrial Credit and Investigation Corporation of India, the credit facilities available to small units will never become adequate. Whatever may be the view of the Reserve Bank, so far as I am concerned,—I feel inclined to continue to press for the setting up of a separate financing institution which will cater essentially to the needs of these small industries."

The Committee feel that the setting up of a high level expert committee to suggest effective ways to meet the credit needs of the small scale sector is long overdue. They would like the Government to set up such a Committee without delay so that whatever changes in the existing system, including the creation of a new financial insti-

tution to cater exclusively to the needs of small scale sector, are considered necessary, can be made fully operative at an early stage of the Fourth Plan.

The Committee hope that Government would work out a well-coordinated and practical scheme to give effect to their proposal to set apart Rs. 10 crores for purposes of advancing loans to technician entrepreneurs.

NEW DELHI;
April 21, 1966.
Vaisakha 1, 1888 (*Saka*)

ARUN CHANDRA GUHA,
Chairman,
Estimates Committee.

APPENDIX I

(*Vide* Para 5)

Employment, Capital and Output in Small Registered Factories by Industry Group, 1960.

Industry Group		Factories with fixed Capital Less than Rs. 5 Lakhs				Percentage to all Registered Factories			
Code	Title	No. of Factories	Persons Employed	Fixed Capital (Rs. lakhs)	Gross Output (Rs. lakhs)	No. of Factories (%)	Persons Employed (%)	Fixed Capital (%)	Gross Output (%)
209	Miscellaneous Food Preparations	3,715	138,238	36,73	2,47,72	87·2	49·6	47·0	51·2
205	Grain Mill Products	4,255	92,639	16,84	1,82,77	95·6	86·1	84·1	78·8
231	Textile Spinning, Weaving, and finishing	3,073	146,977	12,12	1,08,74	83·3	12·7	5·4	13·3
350	Metal Products Except Machinery and Transport equipment	2,080	61,929	10,59	62,40	97·0	66·2	51·5	60·0
010	Ginning and Pressing	2,812	104,350	14,83	60,27	95·7	91·9	93·6	88·1
360	*Machinery, except Electrical Machinery	2,599	78,879	15,69	55,54	95·0	51·8	35·1	46·4
220	Tobacco Products	2,565	136,171	2,77	51,06	95·3	74·4	34·3	43·0

319	*Miscellaneous Chemical Products	1,002	42,502	7,22	47,43	89·6	47·1	19·9	28·6
341	*Basic Iron and Steel Industries	709	43,533	5,28	43,11	84·9	31·3	2·7	16·2
291	*Trainneries and Leather Finishing	413	16,077	1,55	39,87	97·4	77·0	63·7	88·8
280	*Printing, Publishing and Allied Industries	2,466	68,702	14,24	37,97	96·3	60·5	47·4	50·2
399	*Manufacturers not elsewhere classified (n.e.c.)	1,028	30,459	6,85	96,8	96·8	83·5	76·9	82·5
342	*Non-Ferrous Metal Industries	267	8,206	2,43	24,68	91·7	36·6	13·9	41·2
250	*Wood and Cork except Furniture	1,574	40,220	4,67	24,26	97·8	81·4	68·7	82·2
370	*Electrical Machinery	485	25,058	8,95	23,04	83·2	28·8	25·1	21·1
339	*Non-metallic Mineral Products (n.e.c.)	727	33,309	3,48	21,40	95·7	76·2	52·0	63·2
384	Motor Vehicle Repair	1,17	38,728	6,61	20,17	94·7	72·5	55·3	73·4
300	*Rubber Products	257	15,187	6,96	18,20	92·1	38·2	41·5	23·9
239	Textiles (n.e.c.)	778	26,433	1,85	17,96	98·5	86·7	62·0	77·6

Industry Group		Factories with Fixed Capital Less than Rs. 5 Lakhs				Percentage to All Registered Factories			
Code	Title	No. of Factories	Persons Employed	Fixed Capital (Rs. lakhs)	Gross Output (Rs. lakhs)	No. of Factories (%)	Persons Employed (%)	Fixed Capital (%)	Gross Output (%)
311	*Basic Industrial Chemicals	207	9,110	2,81	17,62	76·9	18·2	3·4	17·9
331	*Structural Clay Products	604	42,882	10,63	9,57	94·5	70·4	53·2	50·0
332	*Glass and Glass Products	211	25,041	1,50	8,19	88·6	67·1	24·8	49·9
	All other manufacturers	3,456	113,012	16,97	83,29	..	..	..	..
	TOTAL	36,457	13,37,642	2,11,57	12,32,35	92·1	37·9	17·5	32·9

*CSIO type industry group.

SOURCE: Central Statistical Organisation and Indian Statistical Institute, Calcutta, Annual Survey of Industries, 1960: special provisional tabulation on census sector: draft National Sample Survey No. 114 on sample sector. *See* Annexure A for explanation of census and sample sector coverage.

APPENDIX II

(*Vide* Para. 15)

List of Members of the Small Scale Industries Board

Dr. T. N. Singh,
Minister of Industry & Supply.
New Delhi. (*Chairman*).

1. Shri K. V. Venkatachalam,
   Joint Secretary.
   Ministry of Industry,
   New Delhi.
2. Dr. S. T. Morani,
   Development Commissioner,
   Small Scale Industries,
   New Delhi.
3. Shri T. R. V. Chari,
   Deputy Secretary (SSI)
   Ministry of Industry,
   New Delhi.
4. Shri R. Mahadevan,
   Deputy Secretary (I&S Dn.)
   Ministry of Finance,
   New Delhi.
5. Shri P. M. Mathai,
   Director (Industrial Cooperatives)
   Ministry of Industry,
   New Delhi.
6. Shri D. K. Malhotra,
   Joint Secretary,
   Planning Commission,
   New Delhi.
7. Shri M. M. K. Walia,
   Dy. Secretary (Programme),
   Ministry of Community Development & Cooperation, (Departmer of C & D),
   Krishi Bhavan, New Delhi.
8. Shri R. N. Jai,
   Principal Director,
   Small Industry Extension Training Institute,
   Yusufguda, Hyderabad.-16 (AP)
9. Shri C. R. Sundaram,
   Chairman,
   National Small Industries Corporation,
   Rani Jhansi Road, New Delhi.

10. Shri B. Pratap Reddy,
Director of Industries and Commerce,
Government of Andhra Pradesh,
Hyderabad.

11. Shri A. D. Adhikari,
Director of Industries,
Government of Assam, Shillong.

12. Shri R. Nath,
Director of Industries,
Government of Bihar, Patna.

13. Shri S. M. Ghosh,
Director of Industries,
Government of Gujarat,
New Civil Hospital,
Annexe 18/19, Ahmedabad.

14. Shri R. C. Raina,
Director of Industries,
Government of Jammu & Kashmir,
Srinagar.

15. Shri V. Venkitanarayana,
Director of Industries & Commerce,
Government of Kerala,
Trivandrum.

16. Shri S. B. Lal,
Director of Industries,
Government of Madhya Pradesh,
Indore.

17. Shri T. A. S. Balakrishna,
Director of Industries and Commerce,
Madras.

18. Shri S. V. Bhave,
Industries Commissioner,
Government of Maharashtra, Bombay.

19. Shri J. C. Lynn,
Joint Director,
Small Scale Industries,
Government of Mysore,
Bangalore.

20. Shri L. I. Parija,
Director of Industries,
Government of Orissa,
Cuttack.

21. Shri Paramjit Singh,
Director of Industries,
Government of Punjab,
Chandigarh.

22. Shri J. P. Arora,
Director of Industries,
Government of Rajasthan,
Jaipur.

23. Shri A. B. Malik,
Director of Industries,
Government of Uttar Pradesh,
Kanpur.

24. Shri A. Choudhury,
Addl. Director of Industries,
Government of West Bengal,
Calcutta.

25. Shri B. K. Sharma,
Director of Industries,
Delhi.

26. Shri P. K. Mattoo,
Director of Industries,
Himachal Pradesh,
Simla.

27. Shri Md. Abdul Bari,
Director of Industries,
Manipur, Imphal.

28. Shri C. R. Bhattacharjee,
Director of Industries,
Tripura, Agartala.

29. Shri Prabhakar Kamat,
Director of Industries,
Goa Administration,
Panjim.

30. Shri S. Santhaseelan,
Director of Industries,
Pondicherry.

31. Dr. P. S. Lokanathan,
Director General,
National Council of Applied Economic Research,
11, Indraprastha Estate,
New Delhi.

32. Shri P. B. Advani,
(Oceana) Marine Drive,
Bombay-1.

33. Shri G. L. Bansal,
Secretary General of of the Federation of Indian Chambers of Commerce and Industry,
Federation House,
New Delhi.

34. Shri H. C. Mathur, M P.,
11, Electric Lane, Curzon, Road, New Delhi.

35. Shri Jaspat Rai Kapoor,
Advocate Seetla Gali,
Agra (U.P.)

36. Shri A. R. Bhat,
President,
Federation of Associations of Small Industries of India,
256, Sadashiv Peth,
Poona-2.

37. Shri B. N. Gupta,
President,
Visvesvaraya Industrial Museum Society,
Kasturba Road,
Bangalore-1.

38. Shrimati Lilavati Munshi,
Bhartiya Vidya Bhavan,
Chowpatty Road,
Bombay-7.

39. Shri C. M. Sukhia, M.L.C.,
Dayalbagh, Agra (U.P.)

40. Shri S. M. Sen Gupta,
Chief Officer,
Industrial Finance Department,
Reserve Bank of India,
Bombay.

41. Shri B. K. Chatterji,
Staff Officer,
State Bank of India,
Central Office, Bombay.

42. Shri N. R. M. Swamy, *Ex*-M.P.,
Advocate, Railway Station Road,
Ranipet (Madras).

43. Shri K. M. Nanjundappa,
Chairman,
Kisan Silk Industries Ltd.,
Mellur, Kollar Dist. (Mysore).

44. Shri G. S. Prohit,
Managing Director,
Financial Corporation,
Jaipur.

45. Shri T. G. V. Naidu,
Barman Buildings,
Gunfoundry, Hyderabad.

46. Shri B. C. Agarwala,
Phera & Co.,
Industrial Estate,
Gauhati (Assam).

47. Shri S. N. Agrawal, M.L.A.,
Naya Bazar,
Bhagalpur (Bihar).

48. Shri Onkar Nath Sharma,
M. C. Engineering Company,
38, Okhla Industrial Estate,
New Delhi-20.

Shri Uma Kant P. Pandit,
President, Rajkot Engg. Association,
Rajkot (Gujarat).

Shri Ghulam Rasool Mattu,
President, Chamber of Commerce,
Srinagar (Kashmir).

Shri L. D. Kilikar,
President,
Kerala State Small Industries Association,
P.B. No. 7, Cochin-2.

Shri A. G. Kulkarni,
C/o Harprasad Mills,
Sangli (Maharashtra).

Shri Prem Chand Kashyap,
President,
Gwalior Toys Works Cooperative Society,
Gwalior (M.P.)

Shri R. S. Aradhya,
President,
All Mysore Small Scale Industries Association,
Tumkur (Mysore).

Shri R. Ganesan,
President,
The Small Scale Industries Association,
44, Mount Road,
Madras-15.

Shri C. M. Mishra,
President,
Orissa Small Scale Industries Association,
Cuttack (Orissa)

Shri K. R. Sarin, M.L.C.,
Royal Foundry,
Batala (Punjab).

Shri A. C. Mukherjee,
Proprietor,
Mukherjee & Co.,
Babu-ji-ki-Kothi,
Jhotwara Road,
Jaipur (Rajasthan).

Shri Mannoolal Dwivedi, M.P.,
House No. 618, Rainpur Charkhari,
Distt. Hamirpur (U.P.)

Shri T. Ghosh,
President,
Small Scale Non-ferrous Industries Association, A.T.,
Gooyee Metal Works (P) Ltd.,
11/A, Umakanta Sen Lane,
Calcutta-30.

Shri S. V. S. Sharma,
Director,
Office of the Development Commissioner (Small Scale Industries),
Ex-Officio Secretary,
Small Scale Industries Board,
New Delhi.

APPENDIX III

(*Vide* Para 16)

Statement showing sanctioned and existing strength of Staff in CSIO

Trade	Headquarters				Institutes			
	Gazetted		Non-Gazetted		Gazetted		Non-Gazetted	
	Sanctioned	Existing	Sanctioned	Existing	Sanctioned	Existing	Sanctioned	Existing
Engg. Div.	9	8	7	6	143	131	1110	1000
Non-Engg. Div.	7	6	3	3	81	69	95	89
Genl. Admn. Div.	21	19	203	182	21	19	1321	1290
Eco. Investigation	7	5	19	19	24	17	92	84
Indl. Management—								
Training	5	5	3	3	29	27	36	28
Accounts	1	1	3	3	3	2	17	17
Industrial Designers	..	..	..	..	9	9	1	1
[illegible]ication	2	2	..	..	..	..	..	..
[illegible]	2	2	..	..	..	..	..	..
TOTAL	54	48	238	216	310	268	2672	2509

APPENDIX IV

(*Vide* Para 16)

No. of Gazetted Posts lying vacant as on 16-10-65 in CSIO

Station	Director (Gr. I)	Director (Gr. II)	Dy. Director	Asstt. Director (Gr. I)	Asstt. Director (Gr. II)
DC (SSI) Office	..	..	4		
Ahmedabad	..	..	..	2	..
Br. Inst. Rajkot	..	..	..	1	..
Bangalore	..	..	..	3	..
Bombay	..	1	1	1	..
Calcutta	..	..	1	3	..
E. C. Kalyani	..	..	1	..	..
New Delhi	..	..	1	3	1
Gauhati	..	..	..	1	..
E. C. Jorhat	..	..	..	1	..
Indore	..	..	..	2	..
E. C. Ujjain	..	..	..	..	1
Kanpur	1	..	..	1	..
Ludhiana	..	..	..	1	..
Madras	..	1	..	2	..
E. C. Coimbatore	..	..	..	1	..
Patna	..	..	..	3	..
Trichur	..	..	..	1	..
TOTAL	1	2	8	26	2

The following statement further explains the position regarding the 39 vacant posts of technical officers in the C.S.I.O.:—

Sl. No.	Name of post & designation	No. of posts	Date from which lying vacant	Remarks
1	2	3	4	5
1	Director (Gr. I) (Genl. Admn. Div.)	1	22-7-65	Vice Shri Bhim Singh, I. A. S. reverted to State Govt.
2	Director (Gr.II) (Non-Engg.)	1	13-5-65	Since filled by Shri M. K. Chitre.

1	2	3	4	5
3	Director (Gr. II) (Genl. Admn.)	1	2-1-65	Action is being taken to fill up the post.
4	Deputy Director (IMF) .	2	14-12-64 & 1-4-65	Since filled by Shri F. A. Rayan & C. V. Kuppuswamy.
5	Dy. Director (Chemical) .	2	30-1-63 & 31-7-65	Posts Advertised and UPSC nominees are awaited.
6	Dy. Direotor (Genl. Admn.)	2	1-4-63 & 28-4-64	One since filled by Shri S. Mani and other is also to be shortly filled.
7	Dy. Director (Civil Engg.) .	1	31-8-65	
8	Dy. Director (Eco- Inv.) .	1	3-7-65	Since filled by Shri R. L. Chowdhury.
	TOTAL .	8		
9	Asstt. Director (Gr. I)	1	26-8-62	Out of 18 posts, posting orders for 11 candidates since issued. 7 UPSC nominees are yet to join.
10	,, .	7	30-1-63	
11	,, .	1	13-12-63	
12	,, .	1	31-12-63	
13	,, .	1	13-1-64	
14	,, .	1	6-2-64	
15	,, .	1	29-8-64	
16	,, .	1	20-3-65	
17	,, .	1	23-3-65	
18	,, .	1	12-4-65	
19	,, .	1	28-4-65	
20	,, .	1	18-5-65	
		18		

1	2	3	4	5
21	Asstt. Director (Gr. I) (Elec.)	1	6-9-63	Requisitions for these posts sent. UPSC nominees awaited.
22	,, .	1	28-10-63	
23	,, .	1	1-8-64	
		3		
24	Asstt. Director (Gr. I) (Foundry/Heat-treatment)	1	11-1-60	Requisitions for these posts sent. UPSC nominees awaited.
25	,, .	1	9-11-60	
26	,, .	1	14-5-63	
27	,, .	1	20-7-63	
		4		
28	Asstt. Director (Gr. I) (Ceramics)	1	14-1-63	Requisition sent to Min. Action to fill it awaited.
		26		
29	Asstt. Director (Gr. II) (Chemical).	1	1-7-65	Proposal placed before D.P.C.
30	Asstt. Dir. (Gr. II) (IMT)	1	6-1-65	Since filled.
		2		
	GRAND TOTAL .	39		

APPENDIX VI

(*Vide* Para 17)

Note on the Functions and Strength of the various Directorates at the Headquarters of the C.S.I.O.

The Headquarters office of the C.SI.O. consists of the following Directorates :—

(1) *Administration & Coordination Directorate*

This Directorate deals with administration and establishment matters of the Small Industries Service Institutes and their Centres located in various State all over the country.

The Strength of the Directorate is :—

Joint Development Commissioner	1	Head of the Directorate and second-in-command to the Development Commissioner.
Deputy Director . . .	2	One Deputy Director is looking after the gazetted and non-gazetted establishment of the Small Industries Service Institutes/Centres and the other is to inspect constantly the various Institutes/Centres with a view to ensuring that they are functioning in the proper way and carrying out programmes and policies entrusted to them.
Assistant Directors .	3	One Assistant Director is in charge of administration and house keeping of the headquarters officer. The other Assistant Director is looking after co-ordination and the third is in charge of vigilance, security civil defence and allied matters.
Assistant Accounts Officer .	1	Looks after budget and accounts of the entire C.S.I.O. He also assists in framing accounting policies and procedure.
Section Officer .	4	Supervisory heads of Sections.

(2) *Industrial Development Directorate*

This Directorate deals with the following subjects :—

(*a*) Policy and technical assistance to the development of Engineering industries (including Electronics).

(*b*) Capital Goods cases, foreign agreements, etc.

(*c*) Import policy and raw material for small scale sector.

(*d*) Foreign consultants in engineering industries in private sector.

The strength of the Directorate is as follows :—

Director	1	He looks after the policy and programme of development of engineering industries.
Deputy Director . . .	4	Each Deputy Assistant Director looks after development of engineering industries—Mechanical, Electrical and Metallurgical (including foundry, heat-treatment, etc.). One Deputy Director is engaged on raw material (imported and indigenous)—Assessment of capacities—allocation to States—Foreign exchange etc.
Assistant Director	1	
Section Officer .	1	Supervisory head of the Industrial Development Section.

(3) *Chemical Directorate*

Subjects handled—

(*a*) Policy and technical ssistance to the development of non-engineering industries Chemicals such as particularly Organic and inorganic chemicals, plastics, paints and varnishes, pharmaceuticals & drugs etc. Leather/Footwear, Sports Goods, Glass/Ceramics, Hosiery, Metal Finishing, F ruit

(*b*) Development schemes relating to non-engineering industries.

(*c*) Capital Goods cases, foreign agreements, etc.

(*d*) Foreign consultants in non-engineering industries in private sector

Strength :—

Director	1	He looks after the policy and programme of development of non-engineering industries.
Deputy Director	3	Each Deputy/Assistant Director looks after development of non-engineering industries in their respective fields.
Assistant Director	3	
Section Officer	1	Supervisory head of Chemical Section.

(4) *Ancillary Development Directorate*

Subject handled—

(*a*) Development of ancillary industries and common production programmes.
(*b*) Small Industries Schemes (Engineering).
(*c*) Licensing Committees.
(*d*) Setting up of Institutes/Centres in the States.
(*e*) Demonstration vans with model workshops for visiting rural areas.
(*f*) Production programmes of Production Centres in Kerala, Disposal of finished goods, fixation of price, etc.
(*g*) Location of units for supplying Defence Stores.

Strength :

Director and Secretary, Ancillary Industries Committee.	1	Policy matters/technical guidance relating to development of ancillary industries Representation on (*a*) Licensing Committees (*b*) C. G. Committees. (*c*) S.S.I. Committees (*d*) Development Committees relating to ancillary industries.
Deputy Director	2	Handling matters at (*a*) to (*g*) above.
Assistant Director	1	
Section Officer	1	Supervisory head of Ancillary Development Section.

(5) *Economic Investigation & Statistical Directorate*

Subject handle —

(*a*) Industrial and economic surveys.
(*b*) Supply of economic information.

(c) Intensive campaign and area surveys.
(d) Collection, compilation and interpretation of statistical data.
(e) Evaluation of wrok by the Institutes/Centres.
(f) Market research and distribution and surveys.
(g) Special topic studies.

Strength :

Director	1	Technical guidance connected with the planning and execution of surveys, analysis of data, preparation of etc. planning and analysis reports, etc. scrutiny and approval of reports—rural industrialisation programme (coordination only)
Deputy Director	4	(i) Market surveys (ii) All-India Industry Prospect Sheets.
Assistant Director	3	(iii) State Bank enquiries. (iv) Intensive development campaign.
		(i) Statistical work. (ii) *Ad hoc* surveys (iii) Drawing up of monthly, quarterly, half yearly and annual reports on the work done by the C.S.I.O.
		(i) Evaluation studies and special topic studies. (ii) *Ad hoc* studies required by Planning Commission and other Ministries and bodies.
		(i) Rural industrialisation programme. (ii) Industry prospect sheets. (iii) Liberalised credit schemes.
		(i) Survey of capacity of small scale units relating to scarce raw materials (ii) Area Survey reports.
		(i) Economic Information Service. (ii) Tariff Commission inquiries (iii) Feasibility studies.

(*iv*) Study of credit problems of small scale industries.

(*i*) Compilation and analysis of statistical data received from the State Governments.

(*ii*) Preparation of schemes fo *ad hoc* statistical surveys.

(*iii*) Maintenance of card index of the units registered by the Directors of Industries in States.

(6) *Industrial Management & Training Directorate*

Functions—

(*a*) All matters connected with Industrial management and training (including foreign training).

(*b*) Export promotion.

(*c*) Fairs and Exhibitions.

Strength :

Director	1	(1) Direction, planning, programming and evaluation of various managerial and technical training programmes. (2) Direction concerning preparation, scrutiny and revision of syllabuses. (3) Supervision of Management consultancy work, scrutiny of each plant-study report submitted by SISIs and directions on the same. (4) Function as a consultant on management and technical training matters.
Deputy Director	1	Export Promotion.
Assistant Director	3	(*a*) Technical training and evaluation. (*b*) Management training and consultancy. (*c*) Fairs and exhibitions.
Section Officer	1	Supervisory head of the Industrial Management & Training Section

(7) *Industrial Estates and Works Directorate*

Functions

(a) Technical scrutiny approval of schemes on industrial estates/colonies of State Governments and watching their progress.

(b) Assistance in solving engineering problems relating to Industrial Estates,

(c) Extension worak on civil engineering designs to small scale industry, *viz.* layout and design on factory shed, etc.

(d) Departmental construction of building for Institutes/Centres.

Sterngth:

Director . . .	1	Overall direction
Deputy Director . .	2	(a) Civil Engineering Works. (b) Industrial Estate Work.

(8) *Board and Publicity Directorate*

Functions

(a) Secretarial work of the S.S.I. Board and its committees.

(b) Financial assistance.

(c) Publicity and publications.

Sstrength:

Direcor and Secretary to the S.S.I. Board.	1	All matters connected with S.S.I. Board, Committees.
Assistant Editor . . .	2	Publicity and publications.
Section Officer . . .	1	Supervisory head of Board Section.

APPENDIX VII

(*Vide* Para 18)

Functions of the Policy Planning Group as envisaged in the Report of the International Perspective Planning Team, 1963 (*pp.* 86-87).

"The Policy Planning group, which should include high-calibre research staff, would have such functions as:—

Assessing the changing competitive role of small factories in specific industries, and in the economy as a whole, as a basis for formulating relevant policies in coordination with the Department of Technical Development, the Tariff Commission, and other concerned agencies.

Special policy studies. Currently, for example, allocation and price policy for materials and imported components would be a key subject for action—directed investigation, including identification of priority product lines applicable to small industry, as well as formulation of criteria for central and State allocation procedures. Such topics as finance might later require central attention focussing on the rules and incentives that influence the volume of commercial bank credit to small firms.

Establishing standards, tests and decision procedures for locating new facilities, including industrial estates, branch institutes, or testing facilites.

Periodic evaluation of programmes (perhaps annually, for specific activities, and every 3 or 5 years for the total programme.

Programme planning, including budget allocations as among the major activities, for annual and Five Year Plan purposes.

In short, the activation of an effective policy staff group should provide for continuous evaluation of programme effectiveness, recommendations for appropriate small industry policy changes and programme development along lines that are most likely to meet current requirements of small industrialists."

APPENDIX VIII

(*Vide* Para 20)

Statement showing the appointments of Development Commissioners (Small Scale Industries)

Sl. No.	Name	Date of taking over	Date of relinquishment	Remakrs
1	Shri Jang Bir Singh Expert in Engineering.	6-9-1954 (F.N.)	29-9-1956 (FN)	Services placed at the disposals of Heavy Industries w.e.f. 29-9-56.
2	Shri P.C. Alexander, I.A.S.	1-6-1956 (F.N.)	3-10-1956(FN.)	
3	Shri Satish Chandra, I.C.S.	3-10-1956	12-11-1957 (A.N.)	
4	Shri P.C. Alexander, I.A.S.	8-10-1956	5-11-1956 (A.N.)	
5	Shri Ashafaq Hussain, I.A.S.	11-10-1957 (F.N.)	16-3-1959 (F.N.)	Appointed as Joint Secretary in the Ministry of Commerce & Industry.
6	Shri A.S.E. Iyer	28-3-1959 (F.N.)	1-7-1960	
7	Shri P.C. Alexander, I.A.S.	1-7-1960 (F.N.)	9-10-1963 (F.N.)	
8	Shri N.K. Mukarji, I.C.S.	19-11-1963 (F.N.)	7-4-1964 (A.N.)	
9	Dr. S.T. Merani, I.A.S.	8-5-1964 (F.N.)	Still continuing	

(*Vide* Para 32)

TABLE I

Table showing details of Expenditure on Central Schemes for Small Scale Industries During Third Five Year Plan

(Rs. in lakhs)

Sl. No.	Particulars	III Plan Provision	Actual 1961-62	Actual 1962-63	Actual 1963-64	Actual 1964-65	Revised Estimates. 1965-66	Total 1961-66
1	Central Small Industries Organisation	1100·00	150·46	156·78	159·06	152·49	168·10	786·89
2	National Small Industries Corporation	1000·00	136·03	158·24	272·70	172·66	286·52	1026·15
3	(*i*) Inventions Promotion Board (*ii*) National Design Institute (*iii*) Small Industry Extension Training Institute (*iv*) Rural Institutes etc.	100·00	1·72	13·81	24·27	15·78	12·13	67·71
	TOTAL	2200·00						1880·75

TABLE 2

Table showing Expenditure on States' Schemes for Small Scale Industries during Third Plan Period (1961-66) (Rs. in lakhs)

States/Union Territories	ACTUALS			ANTICIPATED		TOTAL	III Plan Proposed Outlay
	1961-62	1962-63	1963-64	1964-65	1965-66	1961-66	
1	2	3	4	5	6	7	8
1. Andhra Pradesh	69·96	47·89	34·91	52·66	53·17	258·59	460·00
2. Assam	32·93	32·53	33·18	36·12	30·00*	164·76	195·00
3. Bihar	55·47	28·23	43·11	80·14	79·74*	286·69	575·50
4. Gujrat	32·10	13·71	17·48	26·28	28·35	117·92	170·00
5. Jammu & Kashmir	3·79	2·19	3·60	12·49	30·25*	52·32	135·76
6. Kerala	53·61	39·21	39·10	33·98	78·13	244·03	255·00
7. Madhya Pradesh	28·03	65·29	44·75	36·06	37·66	211·79	472·02
8. Madras	80·28	147·40	135·93	211·87	242·95	818·43	692·83
9. Maharashtra	4·04	24·15	47·72	74·45	78·61	228·97	388·00
10. Mysore	15·81	23·26	17·69	21·37	12·30	90·43	250·00
11. Orissa	22·81	30·57	30·48	33·68	37·18	159·72	204·00
12. Punjab	111·64	105·63	94·24	109·92	129·13	550·56	725·77
13. Rajasthan	30·91	26·91	17·02	19·25	17·66	111·75	270·00
14. Uttar Pradesh	170·68	126·16	125·54	184·69	194·32	801·39	891·74
15. West Bengal	44·76	36·46	40·11	68·47	51·26	241·06	375·38
16. Nagaland	N A	N A	1·02	2·75	5·94	9·71	

1. Andaman & Nicobar Islands .	1·70	1·14	1·13	1·85	1·07	6·89	..
2. Delhi	11·95	12·97	11·79	23·25	N.A.	59·96	9·23
3. Goa, Daman & Diu . .	..	2·06	7·71	11·82	8·84	30·43	70·00
4. Himachal Pradesh . .	5·63	6·79	10·09	19·97	26·84	69·32	45·00
5. L. M. & A. Islands . .	0·01	0·04	0·17	1·72	N.A.	1·94	0·25
6. Manipur	2·01	2·08	2·25	4·36	4·56	15·26	14·50
7. N.E.F.A.	N.A.	N.A.	5·51	6·91	N.A.	12·42	10·50
8. Pondicherry	1·70	1·74	1·97	4·08	5·44	14·93	12·00
9. Tripura	6·59	7·78	6·74	14·03	20·20	55·34	38·00
TOTAL (UNION TERRITORIES)	29·59	34·60	47·36	87·99	66·95	266·49	6260·48
GRAND TOTAL . . .	786·41	784·19	773·24	1097·17	1173·60	4614·61	

*Budgeted outlays as the anticipated expenditure figures are not available.
N.A.—Not available.

182 (ad) LS—10.

TABLE 3

Table showing the original and Revised Outlays for Industrial Estates in the various States

The figure of Rs. 30·20 crores represents the Original total Outlay for Industrial Estates programme for the III Five Year Plan. Some of the State Govts. subsequently revised their outlays and the total of the revised outlays comes to Rs. 28·24 crores. The State-wise break up of the Original and revised outlays is given below:

(Rs. in lakhs)

Name of State	Original outlay	Revised outlay
1	2	3
Andhra Pradesh	220·00	220·00
Assam	65·00	65·00
Bihar	200·00	204·74
Gujarat	110·00	100·00
Kerala	125·00	125·00
Madhya Pradesh	190·33	200·33
Madras	428·00	320·00
Maharashtra	270·00	220·00
Mysore	120·00	120·00
Orissa	141·00	135·22
Punjab	245·00	245·00
Rajasthan	157·00	157·00
Uttar Pradesh	383·33	375·00
West Bengal	170·00	162·32
Jammu & Kashmir	103·24	100·24
TOTAL	2927·90	2749·85
Union Territories		
Andaman & Nicobar Island	..	..
Delhi	62·36	62·36
Himachal Pradesh	10·00	10·00
Loccadiv & Minicoy Islands	..	..
Manipur	..	N.A.

1	2	3
Tripura	7·00	7·00
N.E.F.A.	..	..
N.H.T.A.	..	..
Pondicherry	13·50	13·50
TOTAL . . .	92·86	92·86
GRAND TOTAL STATE & UNION TERRITORES .	3020·76	2824·71

TABLE 4

Table showing State-wise Expenditure on Industrial Estates during the Third Five Year Plan

(Rs. in lakhs)

Name of the State	Outlay for III Plan	1961-62 actuals	1962-63 actuals	1963-64 actuals	1964-65 Antici-pated	1965-66 Antici-pated	Total	Shortfall
1	2	3	4	5	6	7	8	9
Andhra Pradesh	220·00	61·00	31·55	47·93	61·98	14·22	216·68	—3·32
Assam	65·00	2·48	2·50	9·70	10·00	29·50	54·18	—10·32
Bihar	204·74	8·16	14·42	4·02	43·93	52·60	123·13	—81·61
Gujarat	100·00	10·98	4·03	4·08	15·14	28·00	62·23	—37·77
Jammu & Kashmir	100·24	24·36	17·23	5·18	17·50	..	64·27	—35·97
Kerala	125·00	13·09	13·33	18·97	30·01	54·10	129·50	+4·50
Maharashtra	220·00	5·08	30·35	15·34	46·00	74·61	171·38	—48·62
Mysore	120·00	12·61	9·15	11·64	19·00	22·90	75·30	—44·70
Madras	320·00	41·50	105·90	173·71	145·53	91·33	557·97	+237·97
Madhya Pradesh	200·33	22·76	23·37	31·71	56·62	36·06	171·52	—28·81
Orissa	135·22	21·11	15·38	32·22	36·01	23·23	127·95	—7·27
Punjab	245·00	18·24	31·19	40·60	72·08	50·80	212·91	—32·09
Rajasthan	157·00	29·19	24·93	5·10	3·70	1·76	64·68	—92·32
Uttar Pradesh	375·00	15·17	52·83	92·94	113·87	35·31	310·12	—64·88
West Bengal	162·32	47·55	8·27	4·32	14·31	5·61	80·06	—82·26
TOTAL	2749·85	33·28	384·43	497·46	685·68	521·03	2421·88	..

Union Territories								
Delhi	62·36	2·62	18·39	19·44	14·62	18·68	73·75	+11·39
Himachal Pradesh	10·00	..	..	..	4·13	12·00	16·13	+6·13
Manipur	N.A.	..	..	..	..	4·50	4·50	..
Pondicherry	13·50	..	..	..	..	..	..	—13·50
Tripura	7·00	0·03	1·58	0·88	0·55	2·07	5·11	—1·89
TOTAL FOR U.T.	92·86	2·65	19·97	20·32	19·30	37·25	99·49	..
GRAND TOTAL	2824·71	335·93	404·40	517·78	704·98	558·28	2521·37	..

—Shortfall
+Excess

TABLE 5

Table showing Central Assistance to States in the Third Plan for States Schemes for Small Scale industries

(Rs. in Lakhs)

S. No.	1961—62			1962—63			1963—64			1964—65** (Provisional) Figuers on the basis of approved central assistance and anticipated expenditure			1965—66 As recommended by W.G.		
	Loan	Grant	Total	Loan	Grant	Lotal	Loan	Grant	Total	Loan	Grant	Total	Loan	Grant	Total
1. Andhra Pradesh	34·03	30·51	64·54	23·48	18·56	42·04	12·55	9·85	22·40	21·02	19·01	40·03	37·00	23·00	60·00
2. Assam	12·19	8·92	21·11	13·38	10·05	23·43	13·49	8·99	22·48	13·99	9·33	23·32	20·00	10·00	30·00
3. Bihar	26·80	17·93	44·73	15·46	9·98	25·44	19·65	10·25	29·91	23·12	12·95	36·07	37·50	12·50	50·00
4 Gujarat	23·16	10·72	33·88	8·83	4·83	13·66	8·62	5·20	13·82	5·29	4·28	9·57	11.50	7·50	19·00
5. Jammu & Kashmir	1·60	1·33	2·93	1·20	1·41	2·61	1·85	1·48	3·33	1·00	1·17	2·17	15·00	5·00	20·00
6. Kerala	15·60	10·92	26·52	17·35	10·10	27·45	18·00	9·45	27·95	18·52	12·72	31·24	24·00	14·00	28·00
7. Maharashtra	3·41	1·79	5·20	17·73	8·77	26·50	24·66	11.30	35·96	35·66	19·71	55·37	34·00	21·00	55·00
8. Mysore	6·65	6·79	13·44	10·50	9·16	19·66	8·95	5·50	14·45	6·67	5·48	12·15	13·00	5·00	18·00
9. Madhya Pradesh	20·28	12·37	32·65	41·90	16·81	58·71	31·01	18·75	49·76	31·10	18·75	49·85	26·00	14·00	40·00
10. Madras	46·54	35·84	82·38	75·31	64·53	139·84	55·43	56·34	111·77	79·43	71·13	150·56	85·00	52·00	137·00
11. Orissa	12·73	6·50	19·23	9·22	5·53	14·75	13·67	8.50	22·17	19·33	16·47	35·80	20·00	11·00	31·00
12 Punjab	53·74	26·86	80·60	53·95	23·62	77·57	49·42	23·11	72·53	32·31	29·79	62·10	52·00	38·00	90·00
13. Rajasthan	15·92	8·44	24·36	14·49	6·01	20·50	8·19	5·33	13·52	9·99	7·09	17·08	16·50	8·50	25·00
14. Uttar Pradesh	82·81	33·06	115·87	62·86	41·71	104·86	64·43	48·71	113·14	93·02	62·46	155·48	85·00	55·00	140·00
15. West Bengal	21·96	16·95	38·91	17·93	13·11	31·04	18·69	10·62	29·31	22·50	13·09	35·59	30·00	18·00	48·00
Total	377·42	228·94	606·36	386·94	244·18	631·12	348·62	233·88	582·50	412·95	303·43	716·38	506·50	294·50	801·00

**Include provision for Industrial Cooperatives also.

APPENDIX X

(*Vide* Para 40)

TABLE I

Allocations of Non-Ferrous Metals to the Small scale Sector, 1958-65.

(Figures in Metric Tonnes)

Period	Copper	Zinc	Lead	Tin	Aluminium	Nickel
April-September. '58	4030	..	..			
October 58-March '59	5415	..	..			
April-September '59	6109	4775	163			
October 59-March.'60	6938	6000	250			
April-September. '60	8145	6060	200			
October 60-March.'61	8673	6060	200			
April-September. '61	11800	12050	250		1067	
October 61-March. '62	11800	12050	250		1466	
April-September. '62	10283	8741	250		1500	
October 62-March.'63	11250	8363	222	513	1500	77·570
April-September. '63	11250	8182	222	415·400		
October 63-March.'64	11250	8182	200	413·400	2500@	167·200
April-September. '64	10125	5555	500	469	800	
October 64-March.'65	5400	5000	1000	470	1391	71·600

Note:—(1) Allocation to the small scale sector in respect of tin was made during Oct' 62 -March' 63 period for the first time.

(2) Allocation for Nickel to the small scale sector was made during April-September, 63 period for the first time.

Remarks

£Combined allocations was made for October, 62-Sept. '63 period.

@plus 3000 tons indigenous aluminium.

££Includes 195 tons for Defence Projects.

TABLE 2

Capacities for various Non-Ferrous Metals in the Small Scale Sect
in 1963.

Metal	Capaci M. T
Copper	81
Zinc	28
Lead	19
Tin	15
Nickel	1
Aluminium	10

TABLE 3

Total Availability of Foreign Exchange for import of non-ferrous metals and Share of the Small Scale Sector, 1961-65.

(Figures in Lakhs of Rs.)

Name of the Metal	Oct' 61-March'62			April-Sept. '62			Oct. '62-March '63			April-Spt. '63		
	Total allocation	Share of small scale sector	Percentage	Total allocation	Share of small scale sector	Percentage	Total allocation	Share of small scale sector	Percentage	Total allocation	Share of small scale sector	Percentage
1. Copper . . .	847	290	34·2	1018·4	445·4	43·7	955	360	37·7	935	360	39·4
2. Zinc . . .	306	80·50	26	358	133·6	37	319	92	29	320	90	28·1
3. Lead . . .	110	2·5	2·3	109·5	2·5	2·3	96·15	2	2·1	94·5	2	2·1
4. Tin . . .	227	75	33	209·5	37·5	17·9	210	58	27·6	213	50	23·9
5. Nickel . . .	25·68	8	32	22	8	36	22	7	32	22	7	32
6. Aluminium . . .	490	37·5	7·7	347·5	32·5	9	272	42	15·4	122·4	42	34·3
TOTAL . . .	2005	493·5	24·6	2064	659·5	31·9	1874·15	561	29·9	1706·9	551	32·3

TABLE 2

Capacities for various Non-Ferrous Metals in the Small Scale Se
in 1963.

Metal	Capa M.
Copper	
Zinc	
Lead	
Tin	
Nickel	
Aluminium	

TABLE 2

Total Availability of Foreign Exchange for import of non-ferrous metals and Share of the Small Scale Sector, 1961-65.

(Figures in Lakhs of Rs.)

Name of the Metal	Oct' 61-March'62			April-Sept. '62			Oct. '62-March '63			April-Spt. '63		
	Total allocation	Share of small scale sector	Percentage	Total allocation	Share of small scale sector	Percentage	Total allocation	Share of small scale sector	Percentage	Total allocation	Share of small scale sector	Percentage
1. Copper . . .	847	290	34·2	1018·4	445·4	43·7	955	360	37·7	935	360	39·4
2. Zinc . . .	306	80·50	26	358	133·6	37	319	92	29	320	90	28·1
3. Lead . . .	110	2·5	2·3	109·5	2·5	2·3	96·15	2	2·1	94·5	2	2·1
4. Tin . . .	227	75	33	209·5	37·5	17·9	210	58	27·6	213	50	23·9
5. Nickel . . .	25·68	8	32	22	8	36	22	7	32	22	7	32
6. Aluminium . . .	490	37·5	7·7	347·5	32·5	9	272	42	15·4	122·4	42	34·3
TOTAL . . .	2005	493·5	24·6	2064	659·5	31·9	1874·15	561	29·9	1706·9	551	32·3

TABLE 3—contd.

(Figures in Lakhs of Rs.)

Name of the Metal	Octobar '63-March'64			April-September'64			Oct.'64-March'65		
	Total allocation	Share of small scale sector	Percentage	Total allocation	Share of small scale sector	Percentage	Total allocation	Share of small scale Sector	Percentage
1. Copper	1087	360	33·1	1107	387	35	1046	371·13	35·5 (Out of 1965)
2. Zinc	370	90	24.3	429	100	23·3	366	5000	Zinc plate value. not known
3. Lead	135	6	4·4	135	6	4·4	210·4	12	5·7
4. Tin	267	58	21·7	313	75	24	316	75	23·7
5. Nickel	22	7	32	22	7	32	20	6	30
6. Aluminium	230	70	30·4	208	20	9·6	204	40	9·6
TOTAL . .	2111	591	28	2214	595	27	2162·4 (+)5000 tons of zinc		504·13 (+)

Availability of various categories of Sheets and share of the Small Scale Sector, 1961-64

Figures in '000' tons

	Outstanding orders with producers	Availability from indigenous production	Imports	Total availability	Demand SSI Sector	SSI allocations	% of SSI allocations to total availability	% of SSI allocation to the demand from the sector
	1	2	3	4	5	6	7	8
1961-62 As on 1-6-61 (16G & thinner)								
Black Plain sheets	211	161	115	276	246	61	22·1	24·8
G.S. Plain	46	21	23	44	138	30	68·2	21·7
G.S. Corrugated	173	116	NIL	116	18	6	5·2	46·2
TOTAL	430	298	138	436	387	97	22·2	24·4
1962-63 (As on 1-9-62 (16G & thinner)								
Blank Plain sheets	414	350	55	405	276	60	14·81	21·74
G.S. Plain	183	30	20	50	172	..	..	..
G.S. Corrugated	376	118	—	118	24	..	..	..
TOTAL	973	498	75	573	472	60		

1	2	3	4	5
October 59-March 60 . .	26,006	11,245	600	684·0
April-September 60 . .	30,653	13,248	600	735·0
October 60-March 61 . .	36,394	12,969	600	677·0
April-September 61 . .	39,892	17,035	600	674·0
October 61-March 62 . .	39,476	16,595	600	984·0
April-September 62 . .	40,931		500	500
October 62-March 63 .			750	450
April-September 63 . .			500	620
October 63-March 64 . .			500	
April-September 64 . .			700	
October 64-March 65 . .			600	

TABLE 6

Foreign Exchange made available to the Directorate General of Technical Development for Import of Spare Parts/Components etc. by the Scheduled Units, 1959—65.

Period	Value (Rs. lakhs)
April-September 59	8,098
October 59-March 60	7,285
April-September 60	11,866
October 60-March 61	3,191
April-September 61	7,626
October 61-March 62	5,437
April-September 62	6,312
October 62-March 63	5,430
April-September 63	5,430
October 63-March 64	5,951
April-September 64	7,128
October 64-March 65	6,101

Table showing estimated availability of sheets during April-September '65 & quantities proposed to be distributed on priority basis.

(Quantity in Metric Tons)

Category	Estimated availability for April-Sept. 65	Priority demand received	Priority demand covered by W/O	% earmarked for priority	Quantity earmarked for priority allocation	Priority accorded to small scale sector
B.P. 10-14 G	75,740	54,329	44,753	75	56,805	443
16-20	78,666	211,587	192,545	90	70,800	756
Thinner than 20	29,194	55,090	51,183	80	23,356	687
Plates below 8mm	55,520	56,423	34,491	90	49,968	240
8mm and above	108,400	116,496	67,396	90	97,560	..
G.P. Sheets	15,700	17,754	10,866	75	11,775	2,114
G.C. Sheets	58,050	31,135	24,193	60	34,800	113

	1	2	3	4	5	6	7	8
1963-64 As on 1-7-63 (16 G to 20 G)								
Black Plain Sheets . . .	582	377	40	117	295	90	21·5	30·50
G.S. Plain	200	40	NIL	40	181	NIL	..	..
G.S. Corrugated	450	113	NIL	113	25	NIL	..	..
TOTAL . .	1232	530	40	570	501	90		
1964-65 As on 1-4-64 (10 G & thinner)								
Black Plain Sheets . . .	690	321	N.A.	N.A.	481@	18	5·6*	3·6
G.S. Plain	186	29	NIL	29	205@	NIL	..	..
G.S. Corrugated	443	118	NIL	118	36@	NIL	..	..
Plates	1105	378	N.A.	N.A.	81@	5	1·3*	6·16
TOTAL . .	2424	846	NA	N.A.	803	23	2·8*	2·9

*Since import figures are not available the figures marked @ represent percentage of SSI allocation to indigenous production. Since demand figures were available for six months, they have been doubled to arrive at the annual demand.

"The steep rise during 1964-65 is also due to the inclusion of plates which have been brought under control.

TABLE 8

Table showing estimated availability of sheets during April-September '65 & quantities proposed to be distributed on priority basis.

(Quantity in Metric Tons)

Category	Estimated availability for April-Sept. 65	Priority demand received	Priority demand covered by W/O	% earmarked for priority	Quantity earmarked for priority allocation	Priority accorded to small scale sector
B.P. 10-14 G	75,740	54,329	44,753	75	56,805	443
16-20	78,666	211,587	192,545	90	70,800	756
Thinner than 20	29,194	55,090	51,183	80	23,356	687
Plates below 8mm	55,520	56,423	34,491	90	49,968	240
8mm and above	108,400	116,496	67,396	90	97,560	..
G.P. Sheets	15,700	17,754	10,866	75	11,775	2,114
G.C. Sheets	58,050	31,135	24,193	60	34,800	113

according

Sl. No.		Positi
		9
1	Ma	11
2	Ut	12
3	Pu	11
4	Gu	3
5	Ma	4
6	Ra	11
7	W	6
8	D	11
9	B	13
10	M	5
11	A	11
12	N	2
13	E	10
14	C	7
15	F	1
16	J	..
17	J	8
18	J	..
19		..
20		..
21		..
22		..

(Rs. in lakhs)

State/Territory	Third Plan provision	(Amount spent (Central plus States' share) 1961-62 (actual)	1962-63 (actual)	1962-63 (actual)	1964-65 (Anticipated)	1965-66 (Proposed)	Total
1	2	3	4	5	6	7	8
1. Andhra Pradesh . . .	40·65	6·90	4·75	7·00	9·00	8·00	35·65
2. Assam	50·00	12·51	8·65	10·95	15·50	21·00	68·61
3. Bihar	115·00	20·56	6·94	13·58	16·05	15·00	72·13
4. Gujarat	41·50	24·59	4·21	1·85	3·30	6·05	40·00
5. Jammu & Kashmir . .	47·00	2·57	1·85	2·37	9·29	10·00	26·18
6. Kerala	105·00	32·74	21·64	21·00	15·30	24·00	114·68
7. Madhya Pradesh . . .	200·00	10·84	30·73	20·33	18·00	28·50	108·40
8. Madras	127·60	34·07	29·52	25·03	30·00	30·00	148·62
9. Maharashtra	70·29	1·27	6·68	14·68	25·50	25·00	73·13
10. Mysore	44·30	3·00	9·00	3·76	3·00	2·69	21·45

1	2	3	4	5	6	7	8
11. Orissa	27·22	5·30	5·37	4·88	6·16	5·51	27·22
12. Punjab	339·30	73·51	69·38	62·05	41·04	70·79	316·77
13. Rajasthan	175·00	17·11	12·00	8·28	6·02	18·03	61·44
14. Uttar Pradesh	398·00	125·57	79·28	77·01	111·25	102·37	495·48
15. West Bengal	126·00	17·20	18·09	22·00	30·00	30·00	117·29
TOTAL STATES :	1906·86	387·74	308·09	294·77	339·51	396·94	1727·05
1. Andaman & Nicobar Islands	2·00	..	..	0·40	0·40	0·40	1·20
2. Delhi	60·00	11·00	12·00	10·00	10·00	12·00	55·00
3. Himachal Pradesh	12·00	3·10	3·00	3·00	4·00	4·00	17·10
4. Tripura	13·00	2·25	1·10	2·00	3·00	4·65	13·00
TOTAL—TERRITORIES	87·00	16·35	16·10	15·00	17·00	20·65	85·10
GRAND TOTAL :	1993·86	404·09	324·19	309·77	356·51	417·59	1812·15

NOTES :— 1. Figures for Union Territories are provisional.

2. Only consolidated figures for Union Territories not mentioned above were available at the time of compilation. These are Rs. 79·74 lakhs.

(*Vide* Para 60)

(a) *Statement showing loans sanctioned (Effective) and advanced by the State Financial Corporations and the Madras Industrial Investment Corporation Ltd. as on the 30th September, 1964 (Out of their own funds)*

(Rs. in lakhs)

Name of the Corporation	Small scale units			Other units			All units		
	No. of loans	Amount sanctioned	Amount disbursed	No. of loans	Amount sanctioned	Amount disbursed	No. of loans	Amount sanctioned	Amount disbursed
1	2	3	4	5	6	7	8	9	10
1. Andhra Pradesh State Financial Corporation	190	102·64	89·74	65	444·65	262·14	255	547·29	351·88
2. Assam Financial Corporation	137	163·54	125·54	79	343·47	300·78	216	507·01	426·32
3. Bihar State Financial Corporation	74	89·69	72·24	72	282·29	255·19	146	371·98	327·43
4. Gujarat State Financial Corporation	70	46·06	29·97	54	219·18	144·33	124	265·24	174·30
5. Jammu & Kashmir State Financial Corporation	40	25·44	9·77	1	10·00	8·00	41	35·44	17·77
6. Kerala Financial Corporation	87	65·95	62·00	59	235·94	217·91	146	301·89	279·91
7. Madhya Pradesh Financial Corporation	126	144·53	70·61	58	365·52	197·28	184	480·5	267·89
8. Madras Industrial Investment Corporation Ltd.	37	55·61	37·70	165	1172·08	1091·75	202	1227·69	1127·45

1	2	3	4	5	6	7	8	9	10
9. Maharashtra State Financial Corporation	580	326·41	226·83	248	885·89	631·59	828	1212·30	858·42
10. Mysore State Financial Corporation .	141	94·10	84·14	21	167·50	122·67	162	261·60	206·81
11. Orissa State Financial Corporation .	110	81·78	63·98	12	85·57	72·56	122	167·35	136·54
12. Punjab Financial Corporation . .	258	307·64	195·19	126	543·55	448·42	384	851·19	643·61
13. Rajasthan Financial Corporation .	44	34·07	25·85	55	269·03	215·26	99	303·10	241·11
14. Uttar Pradesh Financial Corporation .	83	99·97	69·99	65	307·85	187·67	148	407·82	257·66
15. West Bengal Financial Corporation .	44	73·26	50·37	103	699·46	513·05	147	772·72	563·42
TOTAL .	2021	1680·69	1211·92	1183	6031·98	4668·60	3204	7712·67	5880·52

APPENDIX XIV

(*Vide* Para 63)

Statement Showing ratios of advances to small scale Industries to Total Deposits and Industrial Advances June, 1963

(Amount in crores of rupees)

	Total Deposits	Total industrial advances March, 1963	Advances to small scale industries	Ratio of Col. (3) to (1) (per cent)	Ratio of Col. (3) to (2) (per cent)
	1	2	3	4	
1. State Bank of India	539·18	232·20	7·48	1·4	3·2
Excluding P.L. 480 Funds	475·08	..	..	1·6	..
2. Subsidiaries of State Bank of India	148·18	38·21	2·71	1·8	7·1
3. Major Indian Scheduled Banks* other than State Bank of India and its subsidiaries	1057·30	452·31	20·05	1·9	4·4
4. Medium and small sized Indian Scheduled Banks	224·05	36·26	8·32	3·7	22·9
5. Foreign Banks	273·73	162·26	3·91	1·4	2·4
6. All Scheduled Banks	2342·44	921·24	42·47	1·9	4·6
Excluding P.L. 480 Funds	2178·34	..	..	1·9	..

NOTE : As data relating to industrial advances are not available as of end June, 1963, the comparison has been made with the data for the nearest data available *i.e.* March, 1963.

*Banks with deposits of Rs. 25 crores and above.

APPENDIX XV

Summary of Conclusions/Recommendations

No.	Reference to Para No. of Report	Summary of Conclusions/Recommendations
2		3
	3	Considering the fact that the financial and technical resources available with the Government as also the supplies of many essential raw materials fall even now much short of the requirements of the small scale sector, the Committee feel that an abrupt raising of the capital limit from Rs. 5 lakhs to Rs. 10 lakhs may not be advisable as it would entail a wider coverage of units and consequent dilution of the developmental assistance available to small scale units. At the same time the Committee recognise that since the existing definition of small scale unit was laid down, there has been a marked increase not only in the cost of land, machinery, building etc. but higher capital is also required in adopting modern technical and managerial process or in meeting quality requirements. It has, therefore, become necessary that the capital limit of small scale unit is adjustable in such a way that the units which have been in a small scale sector but, for the rise in the prices of capital assets, are not kept out of it. In view of these considerations, the Committee consider that it would be reasonable to revise the definition of the small scale unit so that the value of plant and machinery alone is taken into account in computing the Rs. 5 lakhs capital limit, leaving out the value of land and buildings which varies widely from place to place.
	6	The Committee appreciate the significant contributions of the small scale sector to the creation of new employment and to the total industrial production of the country. The Committee therefore wish to stress that proper development

1	2	3
		of this sector with the gradual introduction of modern technology and standardisation is crucial for accelerating the industrial and economic progress of the country and for providing broader and economically and socially more justifiable industrial base. The Committee further feel that the sphere of activity between the small scale and large scale sector should be clearly demarcated.
3	10	The Committee note that there are some important shortcomings in the existing arrange- and for the collection of data from them. These and for the collection of data from them. These are:—
		(i) The Annual Survey of Industries does not cover the entire small scale sector as units employing less than 10 workers when using power and less than 20 workers when not using power, are excluded from its purview. Moreover, the larger part of the small scale sector is covered on a sampling basis and reliable results at the district level are not available.
		(ii) The *Ad hoc* surveys conducted by the CSIO are only selective attempts which only serve the limited purpose of providing basic information on particular industries and particular areas.
		(iii) The Directories listing small scale units registered with the State Directorates of Industries are neither exhaustive, nor do they have uniformity of content.
		(iv) Registration of small scale units with the State Directorates being voluntary and necessarily incomplete, comparison over a period of time will not indicate growth during the period. Moreover, there is no uniform procedure for registration in the States and basic information is not regularly collected even for the registered units.
4	21	The Committee cannot too strongly emphasise that the collection of reliable statistics about all the important aspects of the small scale sector is

1	2	3
		an essential pre-requisite for the planned development of small scale industries. They regret to note that although the recommendations made by them in this behalf in their 77th Report (Second Lok Sabha) were accepted by the Government, no real progress has been made in implementing them and a large part of the small scale industries functioning in the country still continues to remain out of the purview of industrial statistics. The Committee urge that the Ministry should with the utmost expedition, enlist the cooperation of the Central Statistical Organisation and the State Directorates of Industries for the collection and tabulation of essential data on a uniform basis regarding the small scale sector, particularly the type of end-products made, components, and raw materials required, employment, investment, installed capacity and its utilisation, labour condition, etc. In this connection, the Committee would like to commend the method and the procedures adopted by the Small Industries Service Institute, Kanpur for conducting the unit to unit survey in all districts of Uttar Pradesh during the years 1961—63 and for maintaining this record up-to-date. Any legislative measures required for the purpose should also be speedily devised and initiated. The Committee feel that for the regular collection of data in respect of the small scale sector it is essential to have a system of compulsory registration of all small scale units. The procedure for registration should be shorn of all unnecessary formalities and made simple and business like so that the units do not feel any difficulty or hesitation in complying with the requirements. The Committee feel that the District Industries Officers and the Industrial Extension Officers can greatly facilitate the work of registration for they have already got the requisite field staff; this should also incidentally make for substantial reduction in the administrative cost of enforcing registration of small scale industries. The data thus collected may be integrated and tabulated at the State level and might be periodi-

1	2	3
		cally checked by the Central Statistical Organisation on a sample basis.
5	11	As the introduction of compulsory registration might take some time, the Committee would like to suggest that as an interim measure requisite information about the new units coming into the small scale sector may be systematically collected through the good offices of the State Electricity Boards or any other authority supplying power to whom such units are bound to apply for power. Standard proforma in this behalf may be prescribed to facilitate collection of information on uniform basis.
6	15	The Committee are of the view that even in normal times, a two-day meeting of the Small Scale Industries Board once a year can hardly be considered adequate for critical review and fruitful deliberations on the problems facing the small scale industries. They strongly feel that in the context of the emergency situation prevailing in the country, both on the economic and defence fronts, the prime need to achieve maximum self-reliance within the shortest time, and the grave problem of idle capacity in the small scale sector due to lack of essential raw materials and components, the Small Scale Industries Board should have been meeting more frequently to take stock of the situation from time to time and to suggest positive measures to strengthen the small scale sector and to increase its contribution to the national effort for achieving self-reliance and stepping up exports. The Committee consider that till the emergent conditions last the Board should meet at least once in six months to take stock of the position and initiate remedial measures, as required.
7	15	The Committee recommend that in the context of the growing need for national self-reliance, the Small Scale Industries Board should constitute Standing Committees to review, and suggest appropriate ways and means for increasing the contribution of the small scale sector to (1) Defence requirements, (2) Production of Agricultural inputs like improved agricultural implements, (3) Exports, and (4) Import substitution The Committee would also like to suggest the

1	2	3
		constitution of a Standing Committee on Industrial Estates since, as pointed out in Chapter VI, the Industrial Estates Programmes does not seem to have made much headway.
8	18	The Committee are in agreement with the view of the International Perspective Planning Team that the progressively changing opportunities and needs of small industry require continuous high level attention for the formulation of Government policies and measures for ensuring the healthy growth of small industries. In subsequent Chapters of this Report the Committee have drawn attention to the disappointingly slow progress of some of the small scale industry programmes, such as the Common Production Programme and the development of Ancillaries, which the Central Small Industries Organisation has been expected to further, ever since it was established more than eleven years ago. The Committee consider that the Central Small Industries Organisation as the primary national agency for the development of small scale industries, should not have over-looked to provide in its elaborate organisation a cell for continuous evaluation of the development programmes so as to provide guide-lines for realistic policy planning. Evaluation would no doubt have brought to the notice of Government much earlier the little progress that had been made in the implementation of the programmes of Common Production and Ancillaries. The Committee urge that the evaluation cell should be set-up without further loss of time by finding the requisite staff from within the existing strength of the Central Small Industries Organisation.
9	19	The Committee are inclined to agree with the views of the International Perspective Planning Team regarding the functioning of the Central Small Industries Organisation that the "senior officials of the CSIO are presently too involved in the minutes of day to day operations to devote adequate time and attention to the important functions of policy planning, coordination and control." They hope that the senior officers of this Organisation would make earnest efforts to remove this impression which appears to be widespread among the small scale industries.

1	2	3
		The Committee need hardly stress that, to the extent possible, the Directors of the Small Industries Service Institutes should be made free from routine and administrative work so that their experience and knowledge are gainfully utilised in dealing with technical matters which are obviously their main concern. They would also like to suggest that a systematic effort should be made to rationalise the distribution of work and explore the possibilities of delegation of powers, not only in the Small Industries Service Institutes, but also at the Headquarters of the Central Small Industries Organisation so that the devision of work between the various categories of officers could be put on a sound footing ensuring the best use of the technical know-how and talent available in the Organisation.
10	20	The Committee consider the frequent changes in the incumbency of the office of the Development Commissioner to be unfortunate. They feel that such frequent changes cannot but have a harmful effect on the efficient working of the whole Organisation by depriving it of sound leadership which the Development Commissioner can provide only if he stays in the Organisation some length of time to acquire the requisite experience and develop a genuine concern and a real sense of responsibility for the progress of the Organisation and its various schemes for the development of small scale industries.
		The Committee, therefore, recommend that while selecting an officer for appointment as Development Commissioner, care should be taken to see that apart from the incumbent being technically and emotionally suitable for the post, he would ordinarily stay in the post for a period of five years to provide the necessary leadership in formulating and implementing the plans for the development of small scale industries.
11	21	The Committee note that two 6-day sample studies of the working of the Head Office of the Development Commissioner, Small Scale Industries, conducted by the Staff Inspection Unit in November-December, 1964, have disclosed a sur-

1	2	3
		plus of as many as 58 hands in the Organisation—most of them non-technical. The Committee are, therefore, unable to appreciate the Ministry's contention that all the posts that have remained vacant for long periods in the Central Small Industries Organisation are 'very necessary' for the efficient working of the Organisation.
		The Committee would like to recall in this connection the view of the International Perspective Planning Team that at the Headquarters of the Centrall Small Industries Organisation "Supporting staff should be kept at the minimum consistent with the programming, coordination and control functions which must be the responsibilities of the Development Commissioner's Office". The Committee entirely agree with the above view of the International Perspective Planning Team. They would like to refer to Appendix III which shows that out of the 264 staff and officers at the Headquarters of the Central Small Industries Organisation as many as 201, including 19 gazetted officers, are engaged in purely administrative work. Again, in the Small Industries Service Institutes nearly half the strength is engaged in non-technical work. The Committee are convinced that the existence of such a high proportion of non-technical elements is neither conducive to nor necessary for, the efficiency of an organisation which is primarily meant to render technical assistance and expert guidance to small scale industries. They feel that the Central Small Industries Organisation should be a compact body of technically competent leaders who have first-hand experience of problems facing the small scale industries and can be of concrete assistance to the small entrepreneurs in resolving their problems.
		In the later Chapters of this Report the Committee have pointed out the deficiencies in the various programmes with which the Central Small Industries Organisation is concerned. The Committee feel that basically these deficiencies are attributable to the organisational weakness of the Central Small Industries Organisation. They would, therefore, like to stress the urgent and imperative need of a critical review of the

1	2	3
		existing organisation and staff strength of the CSIO with a view to effect economy and improve its capacity to render effective assistance and guidance to small scale units. They suggest that Government should set up a high-powered committee to undertake such a review at an early date so that the Central Small Industries Organisation is rid of unnecessary non-technical staff and equipped with qualified and efficient technical persons so as to enable the Organisation to discharge adequately its responsibilities during the Fourth Plan period.
12	22	The Committee feel that in an Organisation like the Central Small Industries Organisation whose primary function is to bring about development of small scale industries, the performance of the officers and other staff should be judged by the success they achieve in this behalf. They would, therefore, suggest that an effective system of evaluating the performance of officers at all levels should be introduced without delay. As the development of small scale industries is mainly the responsibility of the States, the Committee need hardly stress that urgent measures should be taken to staff the State Directorates of Industries with competent technical officers who are well equipped by training and temperament, to identify and to effectively deal with the need and problems of small scale industries. The Committee would also like to suggest that each State Directorate of Industries should have a planning cell to assist in policy formulation and programme evaluation. This group may also be entrusted with the tasks of coordinating the work of the District Officers and maintaining close liaison with the CSIO. The Committee have been informed that there is a proposal to introduce a promotional element in the small scale industries programme at the district level. The Committee welcome the proposal. The Committee consider that if the industrialisation programme is to make headway in districts, particularly in smaller towns or villages, it is imperative that promotional activities

1	2	3
		are handled by competent technical men both at the district and field levels.
14	26	The Committee feel that the powers of Development Commissioner for the proper development of small scale industry are not at par with those enjoyed by the Director-General of Technical Development in respect of large scale industry. The Committee would like Government to remove all such handicaps which come in the way of Development Commissioner performing his duties efficiently in respect of small scale industries.
15	26	The Committee hope that keeping in view the main objective of promoting the healthy growth of the small scale sector, efforts will be made to secure close and effective coordination between the Development Commissioner and the Director General, Technical Development in all important matters having a bearing on the development of small scale industries such as the allocation of raw materials and foreign exchange; licensing of additional capacity in large scale sector; supply of components produced by large scale units to small scale units, purchase of components by the large scale industries from small scale ancillary units etc. The Committee would like to stress that the need for close coordination between these two organisations is all the more necessary now as, under the new arrangements, the Director General, Technical Development come under the Ministry of Supply while the Central Small Industries Organisation remains under the Ministry of Industry.
16	27	The Committee regret to note the delay of nearly 18 months in the appointment of the Organisational Committee in pursuance of the recommendation contained in their 77th Report (Second Lok Sabha). They are also unhappy to find that although the Organisational Committee submitted its report as far back as January, 1962 the implementation of some of its recommendation has been held over to the Fourth Plan period (1966—71) and in some cases indefinitely. Now that the Fourth Plan has commenced, the Committee hope that the matter will be examined

1	2	3
		throughly and that vigorous efforts will be made to give effect to such of the recommendations of the Organisational Committee as have not been implemented so far. The Committee further regret to point out that they came across other instances also in which the recommendations made by the Committee in their previous report on this subject (77th Report 2nd Lok Sabha) have not been properly and timely implemented by Government even though the Committee have been informed of the acceptance of those recommendations. The Committee expect that after Government have accepted a recommendation of the Committee, there should not be any undue delay or hesitation in its implementation.
17	29	The Committee regret that the Advisory Committees attached to the Small Industries Service Institutes have so far failed to make expected impact on small scale industries even though these can go a long way towards ensuring the necessary coordination between the various Central and State agencies for the development of small scale industries. They hope that the Advisory Committees would be energised. The Committee urge that each Advisory Committee should meet at least once in three months and more often, if necessary and should watch and ensure the implementation of the decisions reached at each meeting. The proceedings of the Advisory Committee and the action taken thereon should be regularly submitted to the headquarters of the Central Small Industries Organisation which should collate the experience of the various States and provide necessary guidance. The Committee suggest that the Development Commissioner may review the working of these Advisory Committees with special reference to action taken by State Governments on their recommendations at his periodical meetings with the Director of Industries of the State concerned. The Committee would also like to suggest that the Advisory Committees should be strengthened by getting into them representatives of the State

2	3
	Bank, Commercial Banks and State productivity Councils, and a few more small industrialists.
29	The Committee would like to see closer co-ordination and cooperation between the Small Industries Service Institutes and Directorates of Industries in the States. They are glad to note that the need for pooling together the resources of the two organisations is recognised. In view of the fact that most State Directorates do not have an adequate organisation for inspection, the Committee would like the Union Government to consider whether the Small Industries Service Institutes could help them in conducting inspections of small scale units for assessment of production capacity, necessity and utilisation of raw materials etc. till such time as the Directorates are themselves suitably strengthened for the purpose.
29	The Committee welcome the recently adopted practice of the Development Commissioner, Small Scale Industries holding periodical meetings with the State Directors of Industries. They hope that such meetings will be held regularly and that they will prove a useful means of bringing about a broad uniformity in the provision of requisite facilities and services for the development of small scale industries in the various States.
29	While taking note of the present arrangements for coordinating the activities of the various agencies concerned with the development of small scale industries, the Committee would like to suggest the appointment of an *ad hoc* committee by the Small Scale Industries Board to consider whether the existing powers of the Central Small Industries Organisation are adequate to enable it to secure the necessary co-ordination and uniformity in regard to the development of small scale industries, and make suitable recommendations. The Committee wish to stress that though they do not consider a rigid uniformity in these matters to be either necessary or desirable, they, however, feel that it is necessary to guard against a situation where the Central Small Industries Organisation find itself unable to implement agreed policies and objectives for lack of adequate powers.

1	2	3
21	33	The Committee note that, during the Thir Five Year Plan period, the progress of expendi ture on the small scale industries programmes i the different States has been determined ver largely by the quantum of Central assistanc in the form of loans and grants, sanctioned to State. For instance, in Mysore and Rajasth where the percentage of Central assistance to th Plan outlay is relatively low (31·08 per cent an 37·2 per cent respectively), the percentage o short-fall in Plan expenditure is very high (63·8 per cent and 58·61 per cent). On the other hand in Madras, which has received Central assistanc to the extent of 89·71 per cent of its Plan out lay, there is not only no shortfall, but the actua expenditure is likely to exceed the Plan targe by about 18·1 per cent. The Committee regret to note that although th bulk of the total expenditure on the States' smal scale industries programmes, during the Thir Five Year Plan period, has been met throug Central assistance to the States, the flow of Cent ral assistance to the different States has not bee on a uniform rate with the result that there ar great disparities in the levels of actual expendi- ture for and actual development of small scale industries among the various States. The Committee fail to understand how the ratio of Central assistance to different States for the development of small scale industries can vary so widely. The Committee also consider it highly unsatis- factory that there should be no clear relationship or ratio between the Central assistance (loans and grants) a State gets and the contribution that it makes from its own resources towards the deve- lopment of small scale industries. They would like to cite a few concrete instances in this con- nection. Thus, in the case of Bihar, Central assistance covers only 32·34 per cent of the Plan outlay on small scale industries; while for Mad- ras the percentage of Central assistance to the Plan outlay is as high as 89·71 per cent. The corresponding figures for West Bengal and An- dhra Pradesh are 48·7 per cent and 49·78 per cent respectively. The Committee also find it difficult to appre- ciate why in the case of some States like Madra and Andhra, the percentage of grant in the total

1	2	3
		Central assistance should be considerably higher than in the case of some other States, such as Bihar, Gujarat, Madhya Pradesh and Rajasthan.
		On an analysis of the data available, the Committee are constrained to observe that the present procedure for the allocation of Central assistance to States has, in practice, worked to the disadvantage of the industrially less developed States like Bihar, Rajasthan and Madhya Pradesh, inasmuch as they have not been given even their proportionate share in Central assistance and Central grants.
22	33	In view of the many drawbacks in the present procedure for allocation of Plan funds among the various States for the development of small scale industries, the Committee would like to urge its replacement by a more rational and equitable system, which would encourage the States to make a greater effort for the development of small scale industries as also would contribute towards the balanced development of the country by bringing up the industrially backward States to a higher level.
23	33	A progressively higher proportion of the expenditure on the small scale sector should be borne by the States. This is necessary not only to make the States feel a real stake in the success of the various programmes for small scale industries, but also because in view of the many pressing demands on the Centre, it is difficult to envisage any substantial increase in the quantum of Central assistance to meet the growing needs of the small scale sector.
24	33	Central assistance to the States should be given invariably on a matching basis to the contribution that each State makes from its own resources for the development programmes for small scale industries. However, to reduce the existing disparities in the levels of industrial development, the proportion of Central assistance should be higher in the case of less developed States and of States with untapped industrial potentialities than in the case of the other States.
25	33	The division of Central assistance to each State into grants and loans should be in accordance with some definite criteria. Here again, it would

1	2	3
		be desirable to give due weightage to the less developed States so that the element of grants is higher in their case as compared to the more advanced States.
25	33	To ensure the proper utilisation of Plan allocations for small scale industries, the C.S.I.O. should undertake regular and systematic evaluation of the actual progress made by the different States in promoting small scale manufacturing activity and give appropriate guidance to each State.
27	33	The Committee do not approve of the present pratice whereunder the States are free to utilize the allocations for small scale industries for the programmes of khadi and village industries, handloom, handicrafts etc. The Committee recognise that khadi and village industries have an important role in the present state of our economy, but that does not mean that they would be allowed to operate to the detriment of small scale industries. The small scale industries have a definite and distinct role to play in the industrial development of the country; and this role, the Committee would like to stress is very different from that of the khadi and village industries. Thus, the Committee note that the small scale industries have made a significant contribution to the diversification of the country's industrial production and the manufacture of machinery and components and have potentialities of playing an important part in development of import substitution and supplying defence requirements and the khadi and the other village industries are confined to certain traditional lines of production. Again, small scale industries programme aims at encouraging the small entrepreneurs with limited capital to set up fully viable units, providing employment to skilled and semi-skilled workers, which can compete, largely on their own strength, with large scale industries; but the village industries are not expected to compete with other industries and require a large measure of subsidy and are often taken as measures intended to provide self-employed vocation to the large number of under-employed and unemployed rural people—even on the basis of part-time or periodical employment.

1	2	3
		Thus, to the extent funds allocated for the small industries programmes are diverted to the village or traditional industries, there is bound to be a slowing down of progress in all those important spheres where only small scale industry can deliver the goods. The Committee, therefore, suggest that, in future, the allocations earmarked for small scale industries should not be utilised by the States for other purposes save in exceptional cases and that too only with prior approval of the Centre.
28	34	The Committee are in general agreement with the conclusions of the Memorandum on the Fourth Plan regarding the deficiencies and limitations in the sphere of development of small scale industries. In addition, they would like to refer here to a other basic deficiency of the small scale sector—the lack of comprehensive data about the sector—which has been dealt with in Chapter I (*See* paras 8-11) and they feel, the data should be properly collected.
29	35	While extension of the coverage of small industrial units under the development programmes is desirable, the Committee feel that this should be brought about in a phased manner keeping in view the total resources—financial as well as technical and administrative—available for the programmes and the need to give special attention to these industries which are most important for economic development and defence needs. However, to sustain the growth of the small scale sector and encourage its diversification, as well as to create additional opportunities for the expanding labour force and make systematic arrangements to process the additional production expected from the special emphasis on agricultural development in the Fourth Plan, the Committee suggest that agro-based industries should no longer remain excluded from the Central and State programmes for the development of small scale industries.
30	36	The Committee agree with the view of the Working Group that the programme for the development of small scale industries during the Fourth Plan should take into account the serious

1	2	3
		problem of under-utilisation of capacities in the small scale sector. They have suggested in Chapter IV the introduction of a system of guided development of the small scale sector so as to check and regulate the setting up of new units requiring scarce raw materials. They would like to stress here that keeping in view the need for maximum self-reliance in all vital spheres of production, positive efforts should be made to diversify production in the small scale sector and thereby reduce its dependence on scarce raw materials, and also to enable the sector to play a significant part in the supply of defence requirements, and various agricultural inputs required for augmenting food production and in the manufacture of commodities helpful for earning and conserving foreign exchange. With this end in view, the Committee suggest that the various forms of assistance now made available to small scale industries under the Central and State programmes should be utilised in such a manner as to give preference and priority to the needs of industries which cater to higher national priorities, viz. industries falling under one or the other of the following categories: (1) Defence requirements. (2) Industries directly concerned with the development of agriculture such as improved agricultural implements, pesticides etc. (3) Export-oriented industries. (4) Import substitution industries. (5) Units producing components, etc. required in certain vital sectors like Railways, Transport and Power. (6) Industries for processing agricultural product and other industries not requiring use of scarce raw materials. (7) Producer goods and essential consumer goods industries.
31	40	The Committee note that in recent years, the total allocations of various items of scarce raw materials to the small scale sector have fallen far

2	3
	short of the demand. Moreover, the allocations to this sector have been proportionately much less compared to those made to the large scale sector.
44	The Committee would like to recall the Lokanathan Committee's finding that, in general, the allotted scarce raw materials are adequate to meet only about one-third of the requirements of the small scale sector whereas units in the large scale sector are able to utilise between half and two-thirds of their production capacity from allotted scarce raw materials.
	The Committee regret to note that although serious difficulties and competitive disadvantage experienced by the small scale units because of wholly inadequate and irregular supplies of scarce raw materials were brought out by the International Perspective Planning Team nearly three years ago, no action has been taken either to replace the system of *ad hoc* allocations to small scale units by an equitable and rational system or to provide some relief to such units through increased allocations.
	The Committee are constrained to observe that although the declared policy of the Government is to favour small scale industry, in actual practice, small scale industry has not only not been favoured but discriminated against in respect of allocation of scarce raw materials.
	The Committee consider it unfortunate that the implementation of the Lokanathan Committee's major recommendations for the equitable distribution of scarce raw materials between the large scale and the small scale sector, should be deferred, as suggested by the representative of the Ministry during evidence, till the foreign exchange situation improves. As the country may have to live with foreign exchange shortage for a considerable time to come, the Committee would like to stress that in this context of continuing shortage it is all the more necessary that solutions to the problems of equitable distribution of scarce raw materials to the small scale industries should be sought with expedition.

1	2	3
		The Committee can see no valid reason why the small scale industries should be singled out to bear the brunt of the shortage of scarce raw materials. It is evident that if the impression of deliberate discrimination against the small scale sector is to be removed, the share of scarce raw materials allocated to this sector must be at least commensurate with its contribution to total industrial production. The Committee would, therefore, urge that the various measures suggested by the Lokanathan Committee to ensure the equitable distribution of scarce raw materials on the basis of the priorities of the end-products and irrespective of the size of the units should be initiated with all possible speed and earnestness.
33	48	The Committee are constrained to observe that the existing arrangements for distribution of scarce raw materials among the small scale units leave much to be desired. In fact, these arrangements can hardly be said to constitute a system since there is little evidence of any agreed objectives, much less of any planned efforts to achieve the same. Thus, the procedure and priorities, if any, for allocation vary from State to State; at present allocation is not necessarily linked to production capacity and, of course, there is no uniform procedure for assessment of capacities. The Committee feel that any arrangement for the distribution of scarce raw materials which lacks well defined criteria and a clear cut procedure for allocation and an effective machinery for inspection of utilisation is very likely to lead to abuses as it leaves wide scope for the exercise of discretion on the part of the allocating authorities and of manipulation on the part of the receiving units.
		The Committee also note that under the existing procedures the Central Small Industries Organisation has no effective role in the matter of allocation of raw materials. The Development Commissioner, Small Scale Industries does not check up or has no way of checking up whether, or to what extent, the demands for scarce raw materials furnished to him by the different States reflect the actual requirements of small scale

1	2	3
		units in the respective State. Still, he relies on these demands and distributes the allocation available for the small scale sector among the States on a *pro rata* basis of demands made by the States. This leaves scope for the States to inflate their demands or to make unrealistic assessments of their requirements.
		The Committee consider that so far as the basic criteria and procedure for allocation of scarce raw materials or inspection of utilisation of such materials are concerned, there is hardly any justification for permitting each State to follow its own course in the name of local needs or peculiarities. They feel that as the Central agency responsible for coordinating and implementing the national small scale industries programme, and with its vast array of administrative and technical officers, Small Industries Service Institutes etc., the Central Small Industries Organisation should not have rested content with playing a purely advisory role in such important matters as the allocation and utlisation of scarce raw materials.
		The Committee hope that with the implementation of the Lokanathan Committee's main recommendation, *viz.*, the distribution of scarce raw materials on the basis of uniform assessment of capacities of all industrial units and the priorities of their end-products, there will be uniformity in all essential matters concerning the distribution of scarce raw materials. The Committee also trust that appropriate measurers will be taken, in the light of the Lokanathan Committee's recommendations, to enable the Central Small Industries Organisation to effective discharge its functions as the central co-ordinating and controlling agency for assessing the requirements, allocation and inspection of utilisation, of scarce raw materials.
34	49	On the basis of the data available, the Committee can only infer that under the present procedure, the distribution of non-ferrous metals among the States has not been equitable. The Committee hope that such discrimination would be removed without delay by introduction of a uniform system for the allocation of scarce raw

1	2	3
		materials to all industrial units on the basis of priorities of end-products and assessment of capacities.
35	50	The Committee note that the small scale sector's annual capacity for aluminium has been estimated at 10,369 metric tonnes in 1963. As against this, the allocations of aluminium made to the sector in 1964-65 totalled only 2191 metric tonnes. Further, while the non-ferrous metals requirements of small scale wire-drawing plants have been placed at 39,000 tons, only 5,500 tons of aluminium wire rods were allotted to these units for the half-year ending March, 1964. The Committee consider that out of the non-ferrous metals, aluminium is of special importance in view of its growing indigenous production, its versatility and its possibilities of being used as a substitute for imported copper and zinc. They are unhappy to find that although small scale units are prepared to switch over to aluminium the share of this metal allotted to them falls much short of their requirements. They consider it particularly unfortunate that even the existing users of aluminium in the small scale sector should find their very existence threatened because of the failure of the large scale producers of aluminium to supply requisite quantity to them. The Committee need hardly stress that the present situation calls for intensive efforts to replace imported raw materials by aluminium, wherever possible. It is obvious, however, that if small scale units are expected to minimise the use of the imported raw materials, substitute raw materials should be made available to them in adequate quantities. The Committee, therefore, urge that Government should take immediate steps to augment the supply of aluminium to the small scale sector. The Committee feel that in such a vital matter as providing adequate facilities for fuller utilisation of the installed capacity of small scale industrial units any policy decision should not be frustrated or nullified by administrative lapses.
36	50	The Committee would also like the Government to take appropriate measures to see that in

2		3
		all cases where small scale units producing end-products are dependent on large scale processing units for obtaining their raw materials or components, the latter are required to set apart a prescribed portion of their products for the small scale units at reasonable prices.
7	51	The Committee would like to recall that the development of metal working and machinery industries is the most significant aspect of small industry development in recent years. They feel that the scope for the further development of the small scale sector in these particular branches of industry is enormous and hope that the necessary facilities in this direction will be provided by ensuring adequate supply of basic raw materials, *viz.*, steel. The Committee are struck by the anomalous situation where on the one hand the small scale industries are starved of essential raw materials like iron and steel, on the other the steel plants particularly those in the public sector are reported to be having difficulties in working to full capacity in the absence of firm orders from customers. The Committee cannot appreciate why procedural hurdles should be allowed to come in the way of working out the requirements of the small scale industries for steel and in placing a firm demand on the Joint Plant Committee. They also see no reason why the Central Small Industries Organisation should not have been able to present an integrated picture on behalf of all the States before the Joint Plant Committee so as to facilitate the manufacturing programme for items of iron and steel suited to the requirements of small scale industries sector. As regards distribution, the Committee have no doubt that suitable arrangements can be worked out by the Directors of Small Scale Industries of States, who are already running Raw Material Depots for distribution of scarce raw materials to small scale industries.
8	52	The Committee regret to observe that under the existing arrangements the auction of non-ferrous scrap available with Government and semi-Government undertakings is likely to lead

1	2	3
		to profiteering and black-marketing and has further aggravated the difficulties experienced by small scale industries in regard to the availability of scarce raw materials.
		The Committee consider that in view of the scarcity of non-ferrous metals in the country and the consequential demand for the scrap of such metals by the small scale industries, there is need to ensure that the non-ferrous metal scrap is made available to the small units at reasonable prices. The Committee suggest that a substantial portion of the scrap available with public/departmental undertakings should be made available to the State Directorates of Industries or State Small Industries Corporation at reasonable prices for equitable distribution to the small scale industries having regard to the end-products manufactured by them and their capacities.
39	54	The Committee are surprised to note that although allocations of scarce raw materials to large scale units are made on the basis of their production capacities, there are no effective arrangements to ascertain whether these units actually utilise their allocations for production purposes. This is a serious lacuna as it permits unscruplous parties to obtain higher allocations by inflating their production figures—a possibility that has been accepted during official evidence. The fact that in general small scale units meet their requirements of scarce raw materials, either partially or even substantially sometimes, from the open market also confirms this apprehension.
		The Committee consider that there is no justification for permitting a situation where some large scale units find it possible to obtain raw material allotments in excess of their real needs while a vast number of small units are faced with the grave problems of idle capacity because of inadequate and decreasing supplies of the scarce raw materials.
		The Committee need hardly emphasise that the prevalent open market in scarce raw materials is not only an unmixed evil in itself, but is also a sad reflection on the ineffectiveness and inadequacy of the existing arrangements for checking

2	3
	the utilisation of these materials in both the large and small sectors.
	The Committee need hardly stress that scarce raw materials, obtained at considerable expense of foreign exchange, should be properly utilised to sustain the industrial tempo of the country and to produce goods at competitive cost, particularly, in the small scale sector. The Committee believe that following two recommendations of the Lokanathan Committee, would go a long way towards ensuring that the raw material allocations are, in fact, utilised by the allottees and not sold in the open market: (a) annual inspection of all industrial units in both the large scale and the small scale sectors according to a uniform procedure drawn up jointly by the Directorate General of Technical Development and the Central Small Industries Organisation, and (b) random checking up of a few large and small scale units by Central Teams consisting of representatives of the Director-General, Technical Development and the C.S.I.O. The Committee would, therefore, urge that immediate steps should be taken to set up an effective machinery for inspection of utilisation of scarce raw materials on these lines.
54	The Committee would, therefore, urge that particulars of allocations of scarce raw materials to all units, whether large or small, should be regularly published and suitably displayed at the offices of the CSIO, the State Directorates of Industries and District Industries Offices, Small Industries Service Institutes, etc., as is done by the Director of Industries, Delhi. They feel that such publicity would act as a salutary check on malpractices relating to the allocation and utilization of scarce raw materials.
55	Considering that the shortages of scarce raw materials are likely to persist for quite some time, the Committee feel that to check the further aggravation of these shortages as also of

1	2	3
		the concomittant problem of idle capacities in the small scale sector, it is necessary to discourage the setting up of new units requiring scarce raw materials. The Committee note that Government have been trying to secure foreign loans for meeting the maintenance requirements of industry. The Committee hope that with the grant of loans and resumption of aid by the United States etc., it may be possible to ease the position regarding import of raw materials and spares for maintenance. The Committee would like Government to ensure that the existing units in the Small Scale Industries are provided adequate supplies of raw materials and that entrepreneurs intending to set up new small scale units using scarce raw material are provided definite information about the scarce availability of such material. The Committee also suggest that SCIO may devise suitable procedure to be followed in all States, so that prospective entrepreneurs are dissuaded from starting new units in cases where the existing capacities in the small scale sector are not substantially utilised because of inadequate supplies of raw materials. The Committee would also like to suggest that the Central Small Industries Organisation and the State Directorates of Industries should provide positive incentives to encourage the establishment of small scale units in industries where the raw materials are indigenously available in adequate quantities.
42	56	The Committee regret that no serious attention was given to the implementation of the Third Plan targets for copper, zinc, lead, sulphur, etc. The Committee consider it extremely unfortunate that the production achieved in copper is only 38.2 per cent of the target and that India continues to be largely dependent on imports for this important nonferrous metal. They are also distressed to note that the projects for expansion of zinc and lead refining should not have been completed within the Third Plan period. The only metal which could facilitate substitution is aluminium, but here again there has been a

1	2	3
		shortfall in the public sector plan for its manufacture at Koyna. They note that Government have appointed a committee to take stock of the existing capacity for production of non-ferrous metals and to suggest suitable measures for its augmentation and reorientation to meet the defence requirements. The Committee would suggest that Government should carefully review the position after taking into account the requirements particularly of defence and small scale industries and take necessary measures to ensure that the production targets in these key metals are reached in the shortest possible time so as to reduce dependence on imports and to save valuable foreign exchange.
43	59	The Committee note that in many States the amounts actually disbursed to small scale industries under the State Aid to Industries Act are likely to fall considerably short of the provision made in this behalf in the Third Five Year Plan. As the coordination of the State Aid to Industries Scheme is the responsibility of the Central Government which also supplies 2|3rds of the amount earmarked for purposes of advances in each State and gives subsidy to cover the difference between the normal rate and concessional rate of interest, the Committee suggest that the Central Government/Central Small Industries Organisation should take positive measures to identify and to secure the removal of the causes for the unsatisfactory progress of the scheme in States such as Rajasthan, Bihar, Mysore, Madhya Pradesh, etc. so that the development of small scale industries is carried on in each State according to the programme.
44	60	The Committee feel that both as regards the number of small scale units assisted and the total amount of loans disbursed to such units, the performance of the State Financial Corporations has not been impressive. They also consider it unfortunate that the State Financial Corporations should have developed a preference for investing their funds in the medium scale units and to the biger among the small scale units, with the result that the really small units, which need institutional credit most, are left to fend for themselves.

1	2	3
		The Committee suggest that a specific portion of the finance available with each State Financial Corporation should be earmarked for the small scale sector. The Corporations should also be given clear instructions to liberalise their procedures and cut down unnecessary formalities, and induced to adopt a developmental outlook towards small scale industries. Government may also consider the feasibility of channelising loans to small scale industries through the State Small Industries Corporations who are fully acquainted with the requirements of this sector.
45	61	The Committee are happy to note that short-term credit advances to small scale industries by the State Bank have increased from Rs. 11 lakhs in 1959 to Rs. 44.96 crores in March, 1965. The Committee also like to put on record the general appreciation expressed by the small scale industries of the financial help rendered by the State Bank of India. They hope that the Bank will be able to progressively increase the volume of its assistance to the small scale sector considering the sector's growing credit and credit worthiness needs.
46	62	The Committee note that out of the forty-two companies floated under the Orissa Scheme during 1957-61, only thirty-one have been in production since 1961-62 after which year no new companies have been started under this scheme. Further, although thirty of the forty-two companies had been established during 1957-59, even in the year 1962-63 only sixteen companies earned profit. Keeping these facts in view, the Committee consider that the Orissa experiment in State participation in equity capital of small scale units cannot be claimed to be a success. The Committee are of the view that the basic defect of the Orissa Scheme lies in the very high percentage of State participation in the share capital which tends to leave little incentive for the entrepreneur to run the industry with drive and imagination. The Committee feel, moreover, that with the State contributing as much as ninety per cent of the initial capital, the pos-

1	2	3
		sibility of the scheme attracting spurious entrepreneurs who may manage to go into liquidation after obtaining the funds from the Government cannot be ruled out. The scheme also leaves scope for political and personal patronage. From the performance of the companies started with Government participation in Orissa, the Committee apprehend that in many cases the entrepreneurs might not have been properly selected. The Committee consider that the entrepreneur's stake in the small scale unit should not be unduly reduced so that the urge for keeping the unit solvent and efficient is not diminished.
47	62	There should be regular arrangements for the inspection of the units concerned to ensure that the funds made available to them by the State are properly utilised for the purpose for which they are given. Though the Maharashtra scheme of Government participation in equity shares appears to be an improvement on the Orissa Scheme, the Committee would like the Central Small Industries Organisation to take an active interest in the operation of such schemes keeping in view the experience of Orissa State and give appropriate guidance and advice to the concerned State agencies.
48	65	The Committee are unhappy to note that the role of the commercial banks in meeting the credit needs of small scale industries has been not only negligible but has been showing, in relative terms, a tendency to become smaller in recent years. The Committee are particularly distressed to find that eve the Credit Guarantee Scheme of the Reserve Bank has had little success, so far, in inducing the commercial banks to provide greater credit assistance to small scale industries. The Committee need hardly stress that an adequate supply of bank credit is a prerequisite for the steady growth of the small scale sector. They would, therefore, suggest that early steps be taken to induce commercial banks to make a

1	2	3
		greater contribution towards meeting the credit requirements of small scale industries. In particular, the Committee would like the Government to consider the feasibility of modifying and liberalising the Credit Guarantee Scheme of the Reserve Bank so as to induce larger number of commercial banks to utilise the scheme.
49	65	The Committee are surprised to find that even though the Maharashtra Scheme of credit guarantee to selected banks in respect of loans granted to small scale industries has been in operation since September 1963, as late as November 1965, the Ministry and the Central Small Industries Organisation had not been able to get adequate information about the scheme. The Committee would like the Central Small Industries Organisation to closely study the working of the scheme, consider whether any improvements could be made, and commend the beneficial features of the scheme to other State Governments for adoption by them.
50	66	The Committee feel that the setting up of a high level expert committee to suggest effective ways to meet the credit needs of the small scale sector is long overdue. They would like the Government to set up such a Committee without delay so that whatever changes in the existing system, including the creation of a new financial institution to cater exclusively to the needs of small scale sector, are considered necessary can be made fully operative at an early stage of the Fourth Plan. The Committee hope that Government would work out a well-coordinated and practical scheme to give effect to their proposal to set apart Rs. 10 crores for purposes of advancing loans to technician entrepreneurs.

APPENDIX XVI

Analysis of Recommendations/Conclusions contained in the Report

I. CLASSIFICATION OF RECOMMENDATIONS

A. Recommendations for improving the organisation and working:

S. Nos. 3 to 20, 33, 37 to 40, 43.

B. Recommendations for effecting economy:

S. Nos. 11 and 23.

C. Miscellaneous recommendations:

S. Nos. 1, 2, 21, 22, 24, 25 to 32, 34 to 36, 41, 42, 44 to 50.

II. ANALYSIS OF MORE IMPORTANT RECOMMENDATIONS DIRECTED TOWARDS ECONOMY:

Sl. No.	Sl. No. as per Summary of recommendations (Appendix XV)	Particulars
1.	11	The existene of a high proportion of non-technical elements in the CSIO is neither conducive nor necessary for the efficiency of the Organisation. The deficiencies in the various programmes being basically attributable to the organisational weakness of the CSIO, there is urgent need of a critical review of the existing organisation and staff strength of the CSIO with a view to effect economy and to improve its capacity to render effective assistance and guidance to small scale units.
2.	23	To make the States feel a real stake in the success of the various progarmmes for small scale industries and in view of the many pressing demands on the Centre, a progressively higher proportion of the expenditure on the small scale sector should be borne by the States.

Sl. No.	Name of Agent	Agency No.
27.	Bahree Brothers, 188, Lajpatrai Market, Delhi-6.	27
28.	Jayana Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi.	66
29.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi.	68
30.	People's Publishing House, Rani Jhansi Road, New Delhi.	76
31.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88
32.	Hind Book House, 82, Janpath, New Delhi.	95
33.	Bookwell, 4, Sant Narankari Colony, Kingsway Camp, Delhi-9 . .	96
	MANIPUR	
34.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Annexe, Imphal . .	77
	AGENTS IN FOREIGN COUNTRIES	
35.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON, W.C.-2	

© 1966 BY LOK SABHA SECRETARIAT

PUBLISHED UNDER RULE 382 OF THE RULES OF PROCEDURE AND CONDUCT OF BUSINESS IN LOK SABHA (FIFTH EDITION) AND PRINTED BY THE GENERAL MANAGER, GOVERNMENT OF INDIA PRESS, MINTO ROAD, NEW DELHI.